

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

Introduction

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

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

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

SOP Committee members

- Giovanni Seppia, .eu (Chair)
- Sean Copeland (.vi)
- Irina Danelia, .ru
- Stephen Deerhake, .as
- Philip Du Bois, .be
- Atsushi Endo, .jp
- Russell Haworth, .uk
- Dmitry Kohmanyuk, .ua
- Landry Kouadio Assi, .ci
- Nicholas Lisse, .na
- David McAuley, .cc
- Roelof Meijer, .nl
- Andreas Musielak, .de
- Biyi Oladipo, .ng
- Abdalla Omari, .ke
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- Barbara Povše, .si
- Pablo Rodriguez, .pr
- James Shady, .au
- Leonid Todorov, APTLD
- Mary Uduma, .ng
- Michael Vassilakis, .gr
- Madison Wang, .cn

Observers

- Jordan Carter, .nz

General comments

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

- 1) The length of the document. We compliment ICANN for the effort of further structuring the texts. At the same time, we cannot help from highlighting that it is challenging to examine in detail 359 pages, even for mother tongue readers. We would recommend ICANN to be more concise, less repetitive, and perhaps indicate changes from year-to-year in some manner. As a matter of fact, it is hard to distinguish truly important conceptual things from excessive minor/irrelevant details.

ICANN feedback: "ICANN org recognizes that the Draft FY22–26 Operating and Financial Plan document is extensive and lengthy. As ICANN org considers that the community would likely focus on the areas of their interest, the draft plan is intentionally repetitive in places to make it easier for ICANN readers to quickly find the content they seek, as a result, some sections in the draft plan might appear duplicative"

- 2) While the draft ICANN Operating & Financial Plans for FY22-26 (Five-Year Plan) provides five-year financial estimation for each Operating initiative (including Low, Mid-point & High scenario), the Draft ICANN Operating & Financial Plans for FY22 (One-Year Plan or FY22 Plan) does not include this information. It would be helpful if each Operating initiative could be directly linked with the respective budget figures in the FY22 budget as well as in Five-Year budget.

ICANN feedback: "Several operating initiatives need incremental resources that are outlined on the Five Year Financial Projections tables on page 180 and page 181 of the Operating and Financial Plan document. These amounts relate to the incremental or additional expenses for operating initiatives that require resources in addition to functional activity plans. An additional table of incremental expenses budgeted by the Operating Initiative by year, including FY22, will be added to the Draft FY22–26 Operating and Financial Plan and the Draft FY22 Operating Plan and Budget documents. The budget for some operating initiatives is included in the functional activities' core budget or the implementation is self-funded such as SubPro and Auction Proceeds.

The Five-Year operating initiatives projections highlight the financial estimates for the operating initiatives requiring resources in addition to the plans indicated in the functional activities. The resources indicated for the operating initiatives display low, mid-point, and high estimates. The estimates provide information on possible scenarios rather than definitive expectations. As planning work advances on each initiative, the nature of activities and resources required to support them will become clearer. ICANN org will continue to refine these estimates as it determines relevant costs and efforts."

- 3) The FY22 Draft Budget includes only the total figure: namely, Incremental Operating Initiatives worth a total of 5 500 000 USD. The amount itself looks reasonable as it is approximately one-fifth of five-year mid-point amount budgeted for all Operational initiatives (24 500 000 USD). However, clarification on why no detailed figures per initiative are provided and how ICANN plans to split this amount between operational initiatives would be desirable.

ICANN feedback: See feedback to previous comment.

- 4) The Highlights of the draft FY22-26 Operating and Financial Plan and FY22 Operating Plan and Budget document ('Highlights Doc') provides a table (page 4) with a five-year financial estimate and also per each Operation Initiative. The five-year Plan includes only figures of estimated expenses (in the Resource Section for each Operating Initiative). It would be useful to add additional details to explain the nature of the expenses.

ICANN feedback: See feedback to previous comment.

- 5) During the Community Webinar on Draft FY22 Operating & Financial Plans it was mentioned (slide 16-17) that FY22 Plan provides Key Milestones per initiative. Examples of milestones presented on the slide for some initiatives are real milestones (i.e. 'Complete a rewrite of the Root Zone Management System'), but for the others they are processes without concrete deliverables, rather than milestones (i.e. 'Continue development of ICANN org ethics policies').

ICANN feedback: "ICANN org will continue to evaluate if its milestones reasonably measure progress toward achievement of the plans in the future cycle. A targeted outcome of the Planning at ICANN Operating Initiative is the design and implementation of a progress and achievements reporting process, which will include consultations with the community, progress reporting, and measurement of achievements. The "How Progress is Tracked" sections of the plan will continue to be refined and more metrics-driven in future documents."

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

Operating Initiative 1 and 2

Support the Evolution of the Root Server System

Facilitate DNS Ecosystem Improvements

Both initiatives are highly relevant for ccTLDs.

- The 'resources' section speaks mostly to the importance of effective cross-functional collaboration. In addition to a description of collaboration required, it would be beneficial to have an explanation of specific resources (employees, funds) allocated to support this initiative.

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- Additional information on Financial Assumptions to explain expenses is desirable (i.e. 'headcount of 2 for the 5-year period and funds for third party consulting expense for meeting facilitation and research' as mentioned in 'Highlights of the Draft FY22-26 Operating and Financial Plan and FY22 Operating Plan and Budget' document).

ICANN feedback: See feedback to previous comment.

- The following seems unrelated to Resources: 'Activities support ICANN's efforts to preserve and enhance the security, stability, and resiliency of the DNS including Root Server System governance, mitigation of DNS security threats, promotion and/or facilitation of DNSSEC deployment, the mitigation of name collisions, and DNS operations research.'

ICANN feedback: See feedback to previous comment.

Operating Initiative 3

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

- It is helpful that the five-year plan for FY22-26 estimates Low-Mid-High point scenarios. However, it does not explain how funds will be allocated. It would be beneficial to include similar Low-Mid-High point scenarios for FY22, specifying an allocation of funds budgeted per initiative. It is important to ensure that recommendations from previous reports have been implemented, such as developing and undertaking training for technology developers, and email tools for service providers to promote Internationalized Domain Names readiness (as on page 194) is a much-needed activity.

ICANN feedback: See feedback to previous comment.

- We fail to find metrics to measure the increase of knowledge and skill levels across the stakeholder community and organisation. Close collaboration with ROs can increase local presence while increasing the number of capacity development and training events to regional stakeholders; however, the report does not make a mention of this.

ICANN feedback: "ICANN org is replacing the old Accountability Measurements with new performance indicators. ICANN has collected statistics on capacity development and training events for several years. ICANN's engagement teams often work closely with regional TLD organizations, registries, and registrars in delivering regional and local training and capacity development events, even in the current virtual environment. [...]

The "How Progress is Tracked" sections of the plan will continue to be refined and more metrics-driven in future documents."

- ICANN org Language Services, Meetings, and Engineering and IT functions align well with the scope, strategic goals, and targeted outcomes. Nevertheless, the FY22 does not define the funds budgeted for this initiative.

ICANN feedback: "Several operating initiatives need incremental resources that are outlined on the Five Year Financial Projections tables on page 180 and page 181 of the Operating and Financial Plan document. These amounts relate to the incremental or additional expenses for operating initiatives that require resources in addition to functional activity plans. An additional table of incremental expenses budgeted by the Operating Initiative by year, including FY22, will be added to the Draft FY22–26 Operating and Financial Plan and the Draft FY22 Operating Plan and Budget documents. The budget for some operating initiatives is included in the functional activities' core budget or the implementation is self-funded such as SubPro and Auction Proceeds.

The Five-Year operating initiatives projections highlight the financial estimates for the operating initiatives requiring resources in addition to the plans indicated in the functional activities. The resources indicated for the operating initiatives display low, mid-point, and high estimates. The estimates provide information on possible scenarios rather than definitive expectations. As planning work advances on each initiative, the nature of activities and resources required to support them will become clearer. ICANN org will continue to refine these estimates as it determines relevant costs and efforts."

Operating Initiative 4

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

- The five-year Plan identifies a lack of sufficient personnel to provide support to existing and future policy development and advisory work (see page 31). Recommendations regarding the need of personnel to support additional or future PDPs are not provided. Therefore, it is

recommended that we promote and initiate discussions about costs and benefits to address this issue.

ICANN feedback: “The ccNSO SOPC expressed concern regarding the sufficiency of personnel to support existing and future policy development and advisory work. ICANN org's Executive Team has been engaging with the SO and AC Chairs, as part of a collaborative effort to improve planning and prioritization of the community's workload and to facilitate the Chairs' earlier involvement in the budget and planning process. If the SOs, ACs, and the community can identify priority projects and activities each year, this exercise will help ICANN org better allocate (or acquire) staff and resources to support the work. This suggestion is one that ICANN org can take up with the SO and AC Chairs as part of the org's community engagement on prioritization and planning.”

- The one-year Operating Plan considers that community participants need to develop data analysis and related skills. However, it does not make recommendations for the amount to be budgeted to fund that initiative.

ICANN feedback: “Concerning the ccNSO SOPC's comment about developing the community's data analysis and related skills, this was identified as a consideration that could impact the goal of evolving and strengthening the multistakeholder model. ICANN org facilitates and supports community efforts in capacity building, including ICANN Learn course development. If the community agrees that data analysis and related skills are increasingly necessary, ICANN could consider developing an ICANN Learn course in this area.”

- Indicator metrics seem to be in place, but milestones are not clearly defined, and thus left to each SO/AC to determine.

ICANN feedback: “The “How Progress is Tracked” sections of the plan will continue to be refined and more metrics-driven in future documents”

Operating Initiative 5

Develop Internal and External Ethics Policies

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

- We feel that an equivalent to the Ethics Policy for the community already exists (for example ‘Expected Standards of Behavior’). Given this, there is a need to define more specifically what kind of ‘policy’ ICANN org is going to develop.

ICANN feedback: “ICANN recognizes that the Expected Standards of Behavior, the org and Board conflicts of interest policies, and other documents constitute a part of, but not a complete, a total ethics policy. An ethics policy defines how people within an organization or community might interact with one another, and also how they carry out their responsibilities in an ethical manner. Essentially an ethics policy should include general principles and guidelines of how org and community members should act within a complete ethical framework.”

- The efforts to establish the perfect Ethics Policy may lapse into endless discussion. Given this, ‘development’ is vague in the absence of clear objective and scope.

ICANN feedback: “ICANN recognizes that like with all improvements at ICANN, an overall ethical approach should be an ever-evolving activity. The objective is not to create a “perfect” set of policies but a set of policies that will continue to improve and change as the ICANN community and org does.”

Operating Initiative 6

Promote and Sustain a Competitive Environment in the Domain Name System

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

ICANN feedback: “The New gTLD Program is a part of operating initiatives that focus on evolving the unique identifier system and promoting and sustaining a competitive environment. The program and its continuation are one way of allowing for continued innovation and opportunities in the market, particularly with regard to internationalized domain names. The program is a part of supporting and promoting the competitive environment, i.e., making it open for new entrants in different regions of the world. The program enables a competitive environment by opening rather than closing off potential additions to the gTLD namespace.”

Operating Initiative 7

Universal Acceptance

This initiative is highly relevant for ccTLDs.

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

ICANN feedback: “ICANN org agrees that UA is very relevant for the ccTLD community, especially the IDN ccTLDs that are directly impacted by the lack of UA readiness. ICANN org is working on multiple fronts in this context. ICANN continues to support local initiatives in various geographies through the Universal Acceptance Steering Group (UASG), many of which directly involve the local IDN ccTLDs (including China, Commonwealth of Independent States and Eastern Europe and Thailand). [...] The budget is an estimate based on the actual spending on Universal Acceptance over the past few years.”

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

ICANN feedback: “ICANN org has identified gTLD registries and accredited registrars as relevant stakeholders and is working toward reaching out to promote UA readiness. This is covered in the statement: “Develop messaging and undertake communication to reach out to technical and other stakeholders to promote UA readiness in applications” on pg. 72 of the Draft FY22–26 Operating and Financial Plan. This statement will be updated to explicitly mention the gTLD registries and registrars.”

Operating Initiative 8

Root Zone Management Evolution

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

ICANN feedback: “This Operating Initiative continues the advancement of the technology platform used to provide root zone management services, rather than the day-to-day core activities of the IANA function, which is described under its Functional Activity.”

Operating Initiative 9

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

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

ICANN feedback: “The Operating Initiative does include two deliverables: completion of the two planned assessments and creation of a plan to address engagement gaps. ICANN org continually

seeks to improve the quality and content of the planning documents and will continue to evaluate additional metrics for future planning cycles.”

Operating Initiative 11

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

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

ICANN feedback (to any comment on this point): “The BC and GAC noted support for this Operating Initiative. ICANN org works cross-functionally with several functional activities providing support such as the Office of the Chief Technology, Government and Intergovernmental Engagement, Global Communications and Language Services, and Governance Support.”

Operating Initiative 12

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

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

ICANN feedback: “ICANN org will explore options for both internal and external systems as it formalizes its funding model. The org plans to evaluate the migration of the forecast model to a platform that will provide a robust system for preparing and analyzing future funding projections. ICANN org appreciates the comment that ICANN transparently shows the progress achieved thus far, including the allocation of personnel and resources. One of the targeted outcomes of the Planning at ICANN Operating Initiative is to design and implement a progress and achievements reporting process. The community will be consulted on progress reporting and measurement of achievement. Please also review section 2.9 of this report for additional information about progress measurement and reporting.”

Operating Initiative 14

Planning at ICANN

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

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

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

- Goals, metrics and outcomes across most subsections under Functional Activities are put too broadly – rarely does a given department’s team cite specific steps broken down by year. From this perspective, Review Support and Implementation, Global Services Center, Board’s Operations and (partly) HR should be commended for sharing a breakdown of specific steps for at least two years, and the Board Operation also, for clearly established and quantifiable KPIs.

ICANN feedback: “Tracking and reporting on progress toward achievement of the Operating Plan and Strategic Plan is important. ICANN org received several comments and suggestions regarding this theme, from various community groups, including the ALAC, ccNSO SOPC, and RySG.

Progress measurement varies depending on the nature of the activities. For example, progress can be measured by a completion of deliverables (outcomes), such as the planning team’s delivery of ICANN’s Five-Year Operating and Financial Plan and One-Year Operating Plan and Budget, which are required by the Bylaws. Progress can also be measured by

performance, such as the number of meetings supported by the Meetings Operation team. Currently, ICANN org reports performance via the President and CEO reports and ICANN's Annual Report, which are published on icann.org.”

- The practice of including all activities, along with even minor and very obvious ones, without identifying ‘core’ activities as opposed to ‘secondary’ activities, reduces the value of the document as it does not allow the reader to focus on truly substantial aspects. Besides, it implies a deliberate effort to increase the volume of the text to make the document appear more impressive.

ICANN feedback: “ICANN org plans to improve the planning documents continually and will evaluate these suggested improvements for future planning cycles as follows:

1. Seek to improve how information is presented to and shared with the community. Presentation of information in a digestible manner will offer more transparency and accountability.

2. Review how to present progress reports that allow the community to gain insight and perspective.

3. Review a process to provide brief narratives that link achievements, ongoing work in the current fiscal year, and next year's plans and priorities would help the community to assess a project's progress toward its goal better.”

- Likewise, blending Goals and Outcomes does not seem to be a productive move. By definition, the former means ‘the end toward which effort is directed’ while the latter is ‘something that follows as a result or consequence’ – hardly perfect synonyms. We would recommend either merging them into one definitive term, or to classify into two separate sub-sections.

ICANN feedback: ICANN is referring to section 2.9 of their report. I fail to see how ICANN has addressed the SOPC comment.

- Parameters such as ‘Adherence to Bylaws requirements’ or ‘Considering substantive feedback from the community’, ‘Board and ICANN org to ensure/ inform etc. focused, useful and implementable recommendations’ hardly constitute instruments to track progress.

ICANN feedback: ICANN is referring to section 2.9 of their report. I fail to see how ICANN has addressed the SOPC comment.

- Furthermore, ICANN org often refers to a combination of milestones, reports and metrics to track progress on a given matter. Whilst these terms are open to individual interpretation, the cited items in certain cases appear debatable and it is hard to distinguish milestones. Furthermore, while it is understood that some measures are not easily quantifiable, in some cases the wording seems quite extravagant, such as, for example, ‘Progress <in a certain functional activity> is measured through a continued progress in <a specific area>’.

ICANN feedback: ICANN is referring to section 2.9 of their report. I fail to see how ICANN has addressed the SOPC comment.

- A repetitive assumption that ‘Personnel may leave if initiatives offering career progression are not implemented because of lack of information of staff promotion practices’ appears too challenging to suggest any credible strategy unless it is an elegant euphemism for a pay rise.

ICANN feedback: “ICANN org recognizes several Functional Activities indicate the risk of staff turnover in the considerations section of the Operating Plan. In addition to ICANN org's recently implemented improvements to the performance management and review system, conducting annual reviews of staff compensation (ACMR process) to ensure market competitiveness, and varied learning and development offerings, this typical risk will be further mitigated through a project to deliver structured career path options and clarify criteria for

progression. Having a clearly defined and understood career path for staff will support the need to maintain knowledge of ICANN as well.”

- Regarding more specific comments,
 - The ‘changes in functional activities’ section of the 22-26 plan mentions in several places that (human) resources requirements are expected to increase. However, the financial sector of the plan shows a steady headcount of 410 over the years, unchanged from the 21-25 plan. The cost of professional services in the new plan are higher than in the current one. Can you clarify?

ICANN feedback: “ICANN org’s headcount remains stable and consistent with previous years, anticipating approximately 405 personnel by 30 June 2022. ICANN org’s careful management of resources has kept headcount stable and often below budget. Requests to create new positions or fill existing vacant positions must be approved by the ICANN President and CEO, CFO, and the Senior Vice President of Human Resources. This rigorous process allows the organization to strategically evaluate each new hire, controlling headcount growth, and ensuring proper allocation of resources. This measure and other strategies will ensure that ICANN org has adequate headcount to accomplish its strategic and operational goals.

[...]

Professional Services increased from the FY21 Forecast to the FY22 Budget due to the planned reinstatement of face-to-face meetings. The FY21 Forecast assumes that ICANN69 and ICANN70 would be held virtually. Once meetings return to a pre-pandemic level, there will be incremental costs for audiovisual, medical support, security, and other promotional item costs associated with hosting face-to-face meetings.

FY19 Professional Services were higher than those of the FY22 Draft Budget driven by increased support needed for the Information Transparency Initiative (ITI) and GDPR legal matters in FY19. Professional Services in FY20 and FY21 were impacted by the COVID-19 pandemic but are expected to return to higher levels in the future. In addition, ICANN org continually strives to find operational efficiencies and prioritize spending on strategic objectives and goals.”

- The financial sector of the 22-26 plan shows that:

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

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

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

Hence our questions to ICANN org:

Can you clarify why?

Why this increase is justified?

How this alarming trend will be stopped in time?

ICANN feedback: “The Financial Projections section in the FY22–26 Operating and Financial Plan has a key difference versus the Financial Projections published in FY21 plans. In the FY21–25 Plan included an "operating initiatives Envelope" below the "Funding less Expenses" line. In this year's publication for FY22–26, ICANN org included these "Incremental operating initiatives" above the line because they reflect the organization’s "Total Operating Expenses." Therefore, if

one wanted to compare this year's Total Operating Expenses with the prior year's, one would have to add the "operating initiatives Envelope" to the prior year's expenses. By doing so, Total Operating Expenses would be \$682.8M in FY21–25 versus \$734.8 in FY22–26. The \$52.0M growth in expenses is driven by having \$56.8M more in funding during the FY22–26 period. The FY21–25 plan was adopted while the economic impact of the COVID-19 pandemic was unknown and ICANN org planned very conservatively. In the FY22–26 plan, ICANN org has developed funding projections based on prior trends and its experience of the pandemic so far. The increase in projected funding allows ICANN org to hire more staff and vendors, invest more in capital, and contribute more to the Reserve Fund to help ICANN fulfill its Mission and maintain its financial stability.”

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

Functional activity/sub-activity	Comments
Office of CTO	<p>We fail to find internal and external capacity building activities.</p> <p>ICANN feedback: “As it relates to internal and external capacity-building activities included in the FY22-26 Operating Plan, ICANN org has various capacity-building activities globally. Over the past six months, ICANN org conducted more than one hundred different hands-on training and technical webinar sessions around the world. The org will publish a dedicated page for its capacity-building activity on icann.org, including the course catalog, which currently includes 12 different modules. The engagement team is also working with the ICANN Online Learning team to increase technical online courses on the ICANN Learn platform. During ICANN Public Meetings, OCTO conducts How it Works (HiW) sessions to explain some of the critical technical Internet services impacted by ICANN’s Mission, including policy development work driven by the community.”</p>
ICANN Managed Root Server	<p>With reference to ‘Maintain a low total cost of operations while building capacity, good engineering practices, and RSS community engagement’, we believe that the language could be improved, especially when it says ‘maintain a low total cost’ which cannot be classified as an ‘activity’.</p> <p>The awareness raising/educational component of activities seems to be missing.</p> <p>ICANN feedback: “With reference to the description that “maintain a low total cost” is not an activity, ICANN agrees as it is the qualifier to building the capacity of the ICANN Managed Root Server. As to the recommendation to include an awareness-raising and educational component of activities for the ICANN Managed Root Server please note that the “awareness-raising/educational component” is encompassed in “RSS Community engagement.” ”</p>
Contractual Compliance	<p>The task of continued improvement of an environment conducive to contractual parties’ performance seems to be missing.</p> <p>ICANN feedback: “ICANN org has noted the comment from the ccNSO Strategic and Operational Planning Committee (SOPC) regarding the Strategic Goals and Targeted Outcomes for the Draft FY21-26 Operating Plan for the functional activity of Contractual Compliance.”</p>

<p>Policy Research and Stakeholder Programs</p>	<p>There is no reference to the work with ccNSO and GAC to develop consensus recommendations.</p> <p>ICANN feedback: “Related to work with the ccNSO and the GAC to develop consensus recommendations in the functional activities plans for Policy Research and Stakeholder Programs, the high-level description includes the function’s work in supporting community work. The Policy Research and Stakeholder Programs team does provide subject matter support to help inform the ccNSO and GAC considerations during their respective processes. ICANN org is updating this section of the Operating Plan to include explicit reference to Supporting Organizations and Advisory Committees.”</p>
<p>Strategic Initiatives</p>	<p>We believe that what is listed under ‘how progress is tracked’ does not constitute metrics and/or performance indicators.</p> <p>ICANN feedback: “Regarding the comment received from the ccNSO SOPC on the metric included in the Functional Activity for Strategic Initiatives, Strategic Initiatives’s work is to ensure coordinated management of cross-functional initiatives across the organization. The global comment listed at the beginning of this section is intended to capture how progress is tracked using ICANN’s project management framework.”</p>
<p>Planning</p>	<p>With reference to the ways progress is tracked, we believe that the parameters are fairly weak and do not help anyone to easily assess progress against planning.</p> <p>ICANN feedback: “As it relates to the ways progress is tracked in the Planning at ICANN Functional Activity, ICANN org continually seeks to improve the planning documents’ quality and content so that progress measurement and reporting of achievement of the plans is a future planning improvement. See the section of this report on Progress Measurement and Reporting for more information.”</p>
<p>Risk Management</p>	<p>The text reads as follows: ‘The primary purpose of Risk Management is to facilitate the identification and articulation of risks faced by ICANN org so that it may make informed decisions about planning for and managing those risks. Through the established Risk Framework, the function focuses on developing a risk-aware culture which incorporates the risk framework into activities.’</p> <p>We believe that the purpose of any risk management should lie in precluding adverse risks to the ICANN’s mission, rather than the ICANN planning process per se.</p> <p>We find the following assumptions confusing, particularly to a non-native speaker:</p> <p><i>“The Strategic Plan does not create any new risks or challenges in itself for the Risk Management function. The Strategic Risks in the Strategic Plan are included in the work done by the Risk Management function. The existing challenges and dependencies of working with multiple other functions applies to managing any new risks added to the Risk Register from the Strategic Plan. The largest consideration for this functional activity is the team’s dependency on other functions and personnel, who may have other priorities. The team must rely on Risk Liaisons to respond and also personnel alerting Risk Management when issues arise.”</i></p>

	<p>We recommend a review of the text to make it clearer and more accessible.</p> <p>ICANN feedback: “ICANN org suggests that preventing all risks is not the definition of risk management. Instead, risk management is about managing risks and not eliminating all risks. This concept of risk management is widely understood by risk management professionals, used in ICANN org’s definition of its own risk management activities, and has been discussed with the Board.</p> <p>The assumptions wording will be revised as follows: “The Strategic Plan does not create any new risks or challenges for the Risk Management function. The Strategic Risks in the Strategic Plan are included in the work done by the Risk Management function in its normal operations.” ”</p>
<p>Global Stakeholder Engagement</p>	<p>Considering the recent past, we wish that additional resources could be available for any region.</p> <p>We wonder why the engagement centres in Nairobi and Geneva are not mentioned. We also fail to see a long-term strategy for ICANN’s regional presence with staff and resources moved from one country to another with a lack of continuity.</p> <p>ICANN feedback: “As it relates to the Global Stakeholder Engagement resources by region, the Global Stakeholder Engagement budget is allocated across the regions according to engagement needs and plans. In addition, the international Office Strategy outlines the strategy for ICANN’s regional presence. ICANN published an International Office Strategy in 2017 at https://www.icann.org/news/blog/our-international-office-strategy. ”</p>
<p>Government and Intergovernmental Orgs</p>	<p>Under activities we read the following: ‘The team developed the Annual Virtual Global Internet Governance Forum 2020 engagement plan, aiming to coordinate ICANN activities and maximize involvement through speaking engagements, workshops, the Open Forum, social media, virtual booth and flash sessions. The seven-day event occurred in November 2020.’</p> <p>We believe this text belongs in a report on past activities rather than in an Operating Plan.</p> <p>ICANN feedback: “ICANN org continually seeks to improve the planning documents’ quality and content and will evaluate this for future planning cycles to ensure more details in the goals demonstrating focus on IGOs and on the national governments.”</p> <p>With reference to the additional resources for ‘Increased need for professional service contracts to cover specialized events and information gathering’, the SOPC has highlighted – on numerous occasions – that ICANN does not fully utilise the community’s capacity to gather and process intelligence, which is a major resource that would allow economies of scale.</p> <p>ICANN feedback: “ICANN will continue the dialog with the community to seek effective mechanisms for information and feedback on governmental activity relevant to ICANN and inform the ICANN community about opportunities to provide public comment on governmental activities pertinent to the community.”</p>

	<p>Some of the strategic goals on pages 113-114 are not closely related to Government and Intergovernmental Organization. We would recommend reviewing the goals to make them more focused on the IGO.</p> <p>ICANN feedback: “Regarding the ten strategic goals listed on pages 113-114 of the FY22-26 Operating and Financial Plan document, these encompass related government and Intergovernmental Organizations (IGO) activity. ICANN org continually seeks to improve the planning documents’ quality and content and will evaluate this for future planning cycles to ensure more details in the goals demonstrating focus on IGOs and on the national governments.”</p>
GDD Accounts and Services	<p>Under ‘Operating initiative contributions’ we read the following: ‘Support: Promote and sustain a competitive environment in the Domain Name System.’ However, we fail to find a single reference to promotion of competition in the Strategic Goals and Outcomes and Activities subsections.</p> <p>ICANN feedback: “The GDD Accounts and Services team defines and improves services for contracted parties to facilitate their compliance with Consensus Policies and contractual obligations. This work is listed in the Activities section. ICANN supports contracted parties to ensure that those of all sizes and business models can utilize the services effectively and that Consensus Policies’ obligations are implementable.”</p>
ICANN Org Governance	<p>We recommend an in-depth review of the performance metrics to ensure that they reflect proper metrics.</p> <p>ICANN feedback: See earlier comment on metrics.</p>
Governance Support	<p>We recommend that this entire section is reviewed to ensure consistency across its sections. For instance, under activity we find ‘Establishment of a contract management database. Currently, contracts are managed within each business unit, which can cause potential legal and financial risk to the organization’. However, there is no reference to this activity in the subsection ‘How Progress is Tracked’.</p> <p>ICANN feedback: “ICANN org will incorporate the establishment of a contract management database into a project surrounding an organization-wide document management system. This document management system project will be developed and implemented in phases.”</p>

Comments on the FY22-26 Planning Assumptions and Financials.

Funding Approach and Assumptions.

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

ICANN feedback: “The incremental Travel and Meeting spend for the FY22 budget estimates that all ICANN Public Meetings would return to the face-to-face format. ICANN org acknowledges that Travel and Meeting expenses might change as a result of potential new operational priorities

post the global pandemic. However, ICANN org does value the collaboration and working relationships that can only occur by the community meeting face-to-face and does not want to undermine this importance in light of cost savings.

In addition, cost savings noted come from ongoing efforts to find efficiencies within the ICANN org operations budget. Since the budget is usually estimated at least six months in advance, the cost savings represent possible anticipated savings due to changes in strategic objectives and operations.”

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

ICANN feedback: “To ensure funding is available to cover for such uncertainty, ICANN org budgets for contingency. The contingency corresponds to a budgeted amount of expenses but is unallocated to any specific activity function or cost nature to enable appropriate flexibility throughout the fiscal year. As stated in Draft FY22 Budget document, ICANN org budgets for contingency as part of its planning process. The contingency in the Draft FY22 Budget document is \$5.2M, or approximately four percent of total expenses. This contingency amount remains unchanged based on historical usage compared to the previous year and will cover unforeseen and unpredictable FY22 expenditures.

Any department’s request for contingency spend goes through a rigorous and extensive financial review process. Proposals are vetted and reviewed by the requesting executive, the Chief Financial Officer, and the President and Chief Executive Officer (CEO) for approval before any contingency spend occurs.”

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

Financial Projections and Headcount.

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

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

ICANN feedback: “Several operating initiatives need incremental resources that are outlined on the Five Year Financial Projections tables on page 180 and page 181 of the Operating and Financial Plan document. These amounts relate to the incremental or additional expenses for operating initiatives that require resources in addition to functional activity plans. An additional table of incremental expenses budgeted by the Operating Initiative by year, including FY22, will be added to the Draft FY22–26 Operating and Financial Plan and the Draft FY22 Operating Plan and Budget documents. The budget for some operating initiatives is included in the functional activities’ core budget or the implementation is self-funded such as SubPro and Auction Proceeds.”

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

ICANN feedback: “Professional Services increased from the FY21 Forecast to the FY22 Budget due to the planned reinstatement of face-to-face meetings. The FY21 Forecast assumes that ICANN69 and ICANN70 would be held virtually. Once meetings return to a pre-pandemic level, there will be incremental costs for audiovisual, medical support, security, and other promotional item costs associated with hosting face-to-face meetings.

FY19 Professional Services were higher than those of the FY22 Draft Budget driven by increased support needed for the Information Transparency Initiative (ITI) and GDPR legal matters in FY19. Professional Services in FY20 and FY21 were impacted by the COVID-19 pandemic but are expected to return to higher levels in the future. In addition, ICANN org continually strives to find operational efficiencies and prioritize spending on strategic objectives and goals.”

Draft Budget versus FY21 Forecast.

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

ICANN feedback: See feedback to previous comment.

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

Funds Under Management.

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

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

ICANN feedback: “As stated in the FY22 Budget in Section 6 Funds Under Management, \$10M will be transferred to the Reserve Fund from the net excess generated in FY20. The \$10M planned contribution to the Reserve Fund was awaiting approval when the FY22 Budget was published. ICANN org expects the Board to vote on a resolution of the FY20 net excess at ICANN70. After the \$10M is transferred from FY20 net excess, the Reserve Fund will be at the target level set forth in the investment policy.”

Contingency (reserve fund)

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

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

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

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