

ccNSO SOPC comments
ICANN's Draft FY23-27 Operating and Financial Plan
&
ICANN's Draft FY23 Operational Plan and Budget

1. Introduction

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

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 is 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 on its own behalf 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. Therefore the views expressed in this submission are of the SOPC only. They are not necessarily those of the ccNSO (Council and/or its membership) nor from the ccTLD community at large nor individual ccTLD Managers. Membership of the Committee is open to all ccTLD managers (members and non-members of the ccNSO).

To assist the reader, the SOPC included its general observations and comment in section 2 of this document (page 2). Specific comments on the FY23-27 Operational Plan and Financial Plan are included in section 3 (page 3-7). Finally, section 4 (page 8- 9) includes observations and comments with respect to FY23 Annual Operational Plan and Budget.

The full list of members and observers is included in Annex A (page 9).

If you have any question with respect to this SOPC submission, please do not reach out to us. On behalf of the Committee Andreas Musielak, chair SOP Committee.

2. General comments and observations

The SOPC commends ICANN for taking the comments over the last years into account both substantially and with respect to process.

The SOPC appreciates and commends ICANN for its continuous efforts to make the Planning documents more accessible for the general public. Although the length of the basic documents may be challenging to examine them in full, the SOPC compliments ICANN to further structure the documents and by indicating new activities and changes in comparison to last year's Five Year Operating and Financial Plan. With respect to the FY 23-27 Operating and Financial Plan the SOPC has focused its specific comments on these new activities and changes.

Since it was established in 2009, the SOPC has regularly suggested that ICANN (Org, Board and Community) need to balance the workload and resourcing by setting priorities. The SOPC commends ICANN Org for initiating the discussion to define a Prioritization Framework. However the SOPC notes that to date priorities are not set through such a mechanism. The SOPC urges ICANN to complete such a framework i.e define the rules to select major projects and other initiatives and act accordingly before making major long-term commitments in terms of people, time and other resources. The SOPC believes that the results of an Operational Design Assessment should be included in such prioritization effort to balance workload and resourcing.

The SOPC submissions from 2017, 2018, 2019, 2020 and 2021 all included comments on the definition and relevancy of some of the metrics and related Key Performance Indicators included in the various sections of the planning documents. The SOPC appreciates and understands that it is sometimes difficult to define relevant metrics and KPIs, particularly for non-transactional activities. However if they are defined and included, we expect them to be useful both to ICANN and the community to monitor progress and identify issues, if any, with respect to the development, adoption and implementation of community recommendations or other activities for the benefit of (parts of) the community. Again, the SOPC notes some areas in the FY 23-27 Operational Plan where metrics and/or KPI's are only rudimentary defined, or even absent. Going forward we therefore suggest that ICANN Org, the Board and community jointly review the current non-transactional metrics and KPIs to assess whether they measure what they are supposed to measure, progress of the project or activity against the stated goal, relevancy from a community perspective etc. The SOPC is very aware that this would again imply additional use of ICANN Org and community resources and that the process needs to be defined. However we do believe that such an effort would ensure in enhance support from the community and facilitate the management of all the projects and activities from an ICANN org and community perspective.

3. Specific Issues and comments FY23-27 Operation Planning and Financial Plan document

a. Topic: ICANN Managed root server

It is note that additional locations of IMRS large “clusters” will require additional year-on-year funding to cover connectivity, colocation, and power costs.

It is further noted that dditional locations of IMRS large “clusters” will require year-zero capital expenses funding followed by year-two maintenance and hardware upgrades to maintain stability and resiliency.

The SOPC agrees with the proposed changes.

b. Topic: Technical & DNS security

To supplement the support provided by existing staff, professional services are a cost-effective, flexible way to supplement full-time staff that don’t require highly specialized skills, and should be considered along with additional hiring.

The SOPC agrees with the approach, however the amount should be limited otherwise it is a "blanco cheque" for adding workingforce. In more GENERAL terms it is advised that a limit should be set upfront for EACH department of ICANN in terms of FTE and the ratio of professional services used. The SOPC noted that the last 12 years ICANN has increased from little bit above 100 FTEs to more than 400% of that number.

c. Topic: Risk Mitigation?

“In conjunction with the Leadership Program and following community requests, PRS will facilitate a community-led Intercultural Awareness Program training session aimed at raising community awareness and understanding of cultural norms and best practices across regions. “

The SOPC wonders whether this program is limited to leadership or developed for the entire community? The SOPC also questions the added value or benefit, taking into account the effort it will take from both ICANN and the community at large to achieve lasting and concrete results.

d. Topic: ICANN Shared Services, with focus on Security Operations

The operating issue falls under shared services, which oversee the functioning of ICANN. Security concerns have become a growing issue for ICANN, particularly after the COVID19 Epidemic. With the greater risk the pandemic, but also the safety and security of various global locals, ICANN needs to ensure that sufficient structures have been put in place to avoid any blind spots

e. Topic: ICANN Shared Services, with focus on Security Operations

We understand that there is an “Increased need for professional service contracts to cover specialized events and information gathering. “

The SOPC believes that the proposed changes are fairly broad and vague, making them open to interpretation. We would expect to see more focused and precise language.

f. Topic: ICANN Shared Services, with focus on ICANN Board and PTI Ops

Management of ICANN and PTI Boards.

Page 81: △ “Increased participation in arenas that ICANN has not previously engaged as the locus of political action that can impact ICANN shifts”

Observation: Not directly relevant for ccTLDs However, it is described too vague to draw any clear conclusions on whether the goal is achieved or adds value.

g. Topic: ICANN Shared services: Security Operations, the last paragraph

P119 .Very vague language which makes the statement incomprehensible and unquantifiable

Security is paramount under the present circumstances for each member of the community

It is unclear if and how the effort as described would contribute to the very serious challenge

h. Topic: ICANN Shared Services, Finance and Procurement,

Subsection "How the progress is tracked" sub-section

P. 109 Irrelevance of the wording to the overarching philosophy of the document

The SOPC considers this an issue as ICANN's financial standing and performance are in the community's best interests

These are not updates- this group has already voiced concerns in this regard.

The proposed changes are supposed to achieve the proposed goal however as they appear to be vague worded they are open to ample subjective interpretations.

i. Topic: Policy Research and Stakeholder Programs

Summary. P. 61 △ Particular study and research requests may require procurement of professional services, e.g., consumer or registrant surveys, extension of statistical analysis of DNS abuse in gTLDs, or economic analysis

Apparently this is for Support for gTLD only

Referenced analysis is only on DNS abuse in gTLD to the exclusion of ccNSO requests

j. Topic: Policy Development & Implementation Support

Summary. Contracted Parties Services Operations p.62 Manage all aspects of vendor lifecycle from procurement to operations for vendors that provide contracted party services, applicant evaluation, or related needs. Support 2012 round of the New gTLD Program, including:
o Application processing (evaluation, contention resolution, application change requests, etc.).

The SOPC notes a reference to the 2012 round. The SOPC wonders if ICANN.org is still accepting/processing application of the 2012 round of the New gTLD? Page 62

k. Topic: Policy Development and Implementation Support

Summary. Contractual compliance for gTLD's, high level thoughts on migration to NSP. Page 56 does mention SO's, however still very much high level.

The SOPC does not have any relevant issues or comments as this section tends to be a very high level introductory text.

I. Topic: Community Engagement & Services - Global Stakeholder Engagement

Summary. GSE also assumes that travel costs will increase as in-person gatherings resume from historically low levels due to the pandemic. Community demand for support with regional events is likely to continue to increase.

The SOPC notes that this assumption may be not right as future meeting model probably will be more hybrid, so maybe travel cost may stay at the same level as previous 5-year period. It is not clear on which model this is based. ICANN is invited to name the model on which this prediction is based.

m. Topic: ICANN ORG governance - governance support

Summary page 96 △ Establishment of a contract management database. It is our understanding the contract management database will be a kind of legal support, under ICANN ORG governance. We also understand from the text that currently there is no database where the full history of contracts is captured. Therefore problems like original contracts missing may happen. The database may also facilitate the trans-community legal experience exchange.

The SOPC supports the initiative but notes it is couched in general terms. Operational questions like how to collect the past contracts? What is the form of the database, a software or a offline system? Who have the access to the data base? Will determine the resources needed and efforts required. It is therefore strongly suggested to include a KPI to monitor progress.

n. Topic: ICANN ORG governance- governance support

Summary page 96 △ With the current global environment, there has been an increase in the services provided by Governance Support to aid the org's response to the pandemic.

It is mentioned under ICANN ORG governance. However it is unclear to the SOPC why it is limited specifically to ICANN Org Governance. The SOPC assumes that in other areas the workload during pandemic has increased.

o. Topic: ICANN Org Governance- Review Support and Implementation

Summary page.102 Resources FY23–27: Resource requirements expected to increase.

△ Support establishing a systematic set of activities to support the annual planning process of a five-year horizon.

△ Strengthening of Strategic Outlook trends monitoring

The ccTLD community is in need for predictable, balanced, accurate and realistic planning, rather than just an array of planning activities with vague KPIs and eventually being a self-servicing instrument. Rather than increasing the planning efforts other or additional monitored processes and introduced indicators may achieve the same result. Examples of such re-definition could be the number of planned indicators-to-attained indicators ratio; the number of staff 's planned indicators-to the number of community indicators ratio; etc.

The SOPC is therefore not convinced that the proposed changes contribute to the stated goal

p. Topic: ICANN Org Governance-Review Support and implementation

Summary. p.104: △ With the current review cycle completed (with resulting implementation work in progress), the focus of work for the Review Support and Accountability team in FY23 will be on the preparations for the implementation of review-related ATRT3 recommendations subject to prioritization (see below), as opposed to the support and facilitation of reviews, as in prior years. The new Holistic Review recommended by the ATRT3 serves as a critical dependency for the scheduling and timing of all future reviews. Therefore, the Holistic Review pilot that the Board directed ICANN org to initiate (subject to prioritization and available resources) could be prioritized for planning and implementation ahead of other ATRT3 and community-issued recommendations. While the timing of this cannot be determined at the time that this plan is being developed, ICANN org recognizes the possibility of work toward initiation of the Holistic Review pilot taking place in FY23.

The SOPC does not understand what is meant by this paragraph. What is the result of this effort? In FY 23 preparation will start, without a clear understanding what will need to be implemented and in which order (subject to prioritization and available resources). It is also unclear whether this activity includes and is dependable on the availability of community members?

The SOPC would appreciate if the description of the activity could be clarified, including whether there is any need for community involvement.

q. Topic: ICANN Org Governance- Review Support and Implementation

Summary. p.107 Resources FY23–27: During FY21 and FY22, ICANN org has initiated and continued to increase resources focused on implementation work, in support of the implementation of review recommendations resulting from the recently completed cycle of specific reviews. As reviews are streamlined and improvements or changes made to how ICANN org supports reviews throughout their lifecycle in alignment with the Board-directed actions resulting from ATRT3 recommendations, any resourcing adjustments to ensure strong ICANN org support will be addressed.

Note: the resources needed to support the next cycle of reviews will be impacted by the outcomes of various work streams to improve reviews in alignment with Board-directed actions to implement ATRT3 recommendations, such as budget amount, staff, and timing. These resource items will be forecasted once the improvement work is further along

The SOPC does not understand the resource implications: is there a need for additional resources in FY 23 and going forward? What are parameters that define this need?

r. Topic: Community Engagement & Services - Global Stakeholder Engagement

Summary. Page 84 △△ In FY23–27, Global Communications anticipates adding writers, digital and media specialists, and a graphic designer to the team to better support each function. The Global Communications team will use tools, such as social listening, media monitoring, and Google analytics to track key metrics including: blog and announcement reach, content likes, retweets, shares, etc. Resources FY23–27: Resource requirements are expected to increase, as the team has requested the addition of staff to increase capacity. -

The SOPC wonders whether ICANN has an organization wide Brand and Communications Manual? If so, can it be shared and circulated widely in the community to provide guidance on how the ICANN Org and Community Brand is used? The SOPC believes this can save the resources needed for additional Communication Staff. The SOPC believes that with a proper Brand and Communications Manual and well thought out implementation Strategy, a lean team can lead the Communications function in partnership with the Community.

4. Specific Comments draft FY23 Operational Plan and Budget.

- a. The SOPC appreciates the clarifying responses on two questions raised during the 12 January joint ICANN Planning and SOPC session. The two questions related to WS2 Implementation and costs associated with establishment of the IRP Standing Panel.
- b. The SOPC notes that the FY23 Operational Plan includes 2 activities that may result in very costly activities / programs, which will could have major implications: SSAD and implementation of SubPro policy recommendations. The SOPC understands that ICANN Org has introduced the Operational Design Assessment to provide an ex-ante assessment of resourcing needed to implement and execute the recommendations. It is also suggested that the Supplemental Fund for Implementation of Community Recommendations will be used to finance these major efforts. The SOPC would like to understand if these two major activities will be run in parallel, and this would impact the funding and resourcing. The SOPC would also like to understand if and how implementation of these major efforts impacts existing work and priorities, and how ICANN intends to ensure that these two efforts do not overtake other initiatives going forward.
- c. The chart in 4.4 on page 17 shows 37 FTE budgeted new hires for ICANN Ops without showing for which Service Group/Functional Activity. Can ICANN staff give more detail on where it expects to deploy these 37 new hires and what activities they will support? In addition, the chart in Section 3.2 (Average Headcount) on Page 9 shows FY23 Draft Budget for 448 headcount. Compare that to FY22 Forecast: 406 (note that the numbers for the FY22 forecast actually add up to 407); the increase is 41 or 42. While the 37 are for Ops and the 41 or 42 are for more than Ops, this area is a little confusing and more detail/clarity would be appreciated.
- d. The projected Reserve Fund at end of FY23 is \$181.3 million (Section 3.1, page 6). This appears to be in excess of the target for Reserve Funds - one year of operating expenses as the minimum target level. Operating expenses are projected at \$152 million (Section 4.1, page 13). We understand the Reserve Funds can exceed the minimum target level but these figures project a nearly 20% excess above projected annual operating costs. Noting that ccTLDs support a strong Reserve Fund, can ICANN staff explain in more detail the thinking behind this projection for FY23?
- e. There is significant growth in expenses, mostly from the personnel costs, face-to-face meetings, and professional and admin costs. Is ICANN staff confident that this level of expenditure growth can be accommodated effectively and add value to the community? Also, it appears ICANN will not reach the budgeted headcount (405) for 2022. Is there any particular reason?
Comment: we support funding assumptions for three face-to-face meetings. ICANN and the community have done well remotely during the pandemic but F2F interactions should enable better collaboration and results. Having said that, we do wonder if perhaps one of the three annual meetings could be reserved as online as distinct from F2F. Has ICANN given thought to such an arrangement?

- f. With respect to budget funding assumptions, the scenarios for funding (medium, high, and low estimate) vary widely - fluctuating between 19% decline and 17% growth – can ICANN staff explain in more detail how they arrived at these assumptions?
- g. Can ICANN staff comment on ongoing efforts toward cost optimization as requested by the SOPC on previous occasions? Is this a priority focus for budget efforts?
- h. In Section 3.3, Funds Under Management, the chart on page 10 shows certain transfers to SFICR and the Reserve Fund in FY21 yet the text on page 11 indicates these were made in FY22 – and the timing of the contributions to the Reserve Fund appear to be incorrect, i.e. was the transfer of \$5M to the reserve fund in July or October, and same question for the \$10M transfer.
- i. Interest gains. It looks like Auction Proceeds funds are projected to gain interest in FY23 at approximately .5%. The increase in FY23 Reserve Funds appears to be larger percentage, 3.4%. Is that correct? If so, why the differential, and should investment approach be changed for Auction Proceeds?

Annex A: members and observers SOPC