Prioritization of ICANN's Work and Finance Update

ICANN's Planning and Finance Team

27 April 2021

ICANN

Webinar Information

This session is recorded.

This session is scheduled to last 1 hour.

Presentation PowerPoint and recording will be published on the : ICANN Finance and Planning wiki page

Q&A will be during and at the end of the presentation

Opening Remarks

Xavier Calvez

SVP Planning &
Chief Financial Officer

Agenda

- ⊙ Prioritization of ICANN's Work project

- ⊙ Finance Update on a Supplemental Fund for Implementation of Community Recommendations

Prioritization Project

Becky Nash

Background

- As the Internet and the domain name system ("DNS") continue to evolve, the systems, services, and policies that enable this growth have become more complex

  - **It's critical that ICANN and its governance model evolve alongside the Internet and the DNS**

- **"Planning at ICANN"** is one of 15 Operating Initiatives included in the Draft FY22-FY26 Operating and Financial Plan

  - A key goal and targeted outcome of this Operating Initiative is the **analysis, design, and the implementation of a work prioritization framework** in collaboration with ICANN community, Board and org

  - By working together to improve the way ICANN plans its work the community, Board and org can determine what work needs to be prioritized and how our resources can used most efficiently

- The need to prioritize ICANN's work was also reinforced in one of the six main topics articulated by the community for **enhancing the effectiveness of ICANN's multistakeholder model, and in ATRT3's Final Report**

Objective

- ICANN's planning department is leading the creation of a Prioritization Framework to:
  - Help the ICANN ecosystem prioritize its work within the planning cycle in a manner that is transparent, inclusive, and efficient

- The Prioritization Framework needs to:
  - Be broadly adopted by the community, Board, and org as the basis for decision-making on how to prioritize work in scope of the project
  - Enhance effective decision-making without hampering workflow and day-to-day operations
  - Be implemented in the annual planning cycle subject to Public Comment

- The planning department is responsible for facilitating prioritization at an organizational level in order to include the prioritized projects into the annual Operating and Financial plans

Project Outcomes

Development of a Prioritization Framework will include:

Prioritization Process

- Identification of the scope of work to be prioritized
- Identification of the participants and their roles & responsibilities in the process
- Design of the frequency for prioritization planning process
- Selection of an agreed-upon prioritization technique
- Identification of systems, reports or tools to manage the process
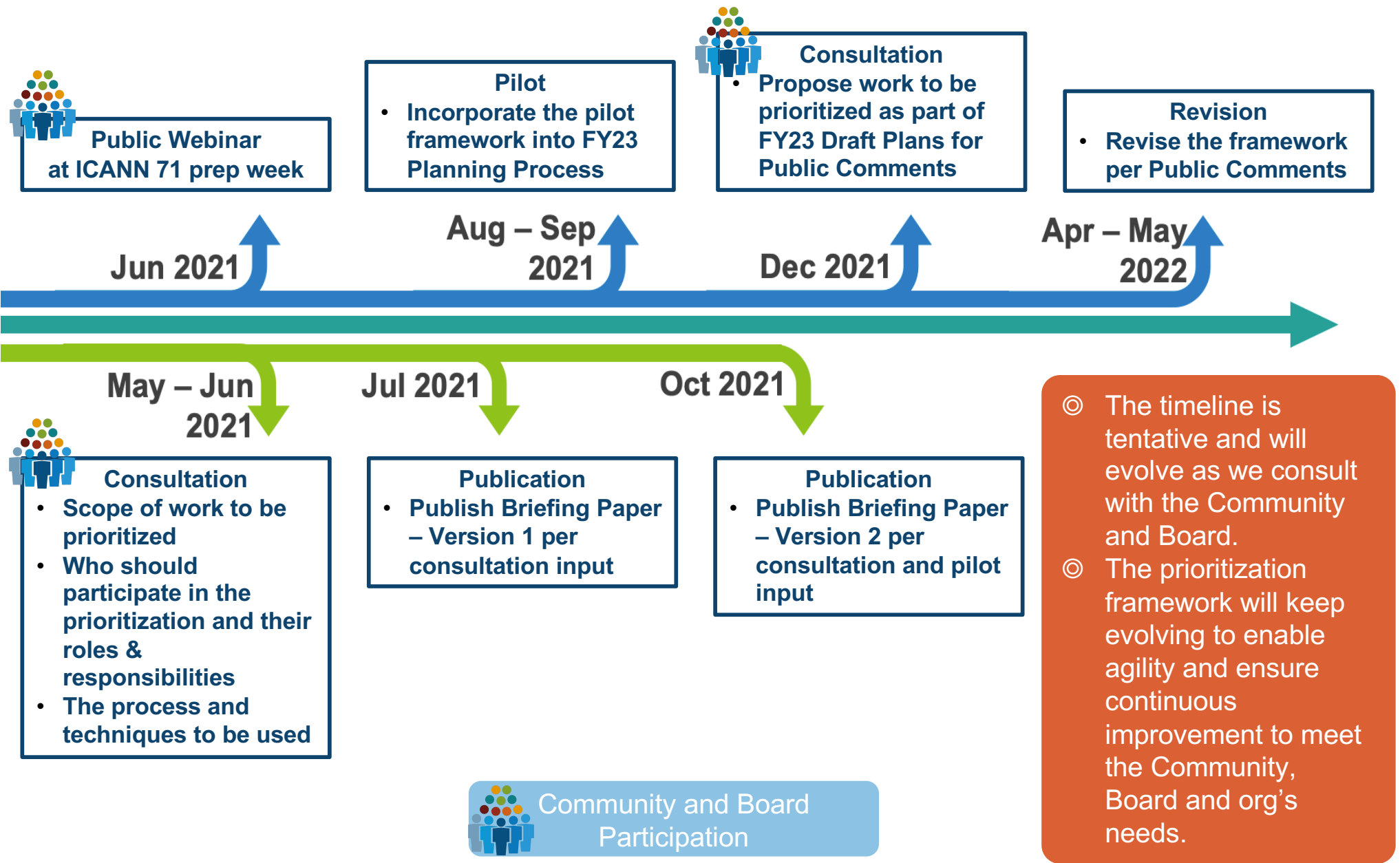- A pilot of the technique is suggested as a valuable component of validation

Engagement and Consultations

- Opportunity to provide input and feedback
- Informal consultations
- Public Comment
- Inclusive
- Open
- Simple
- Short
- Effective

Tentative Steps and Timeline

Public Webinar at ICANN 71 prep week

Jun 2021

Pilot
- Incorporate the pilot framework into FY23 Planning Process

Aug – Sep 2021

Consultation
Propose work to be prioritized as part of FY23 Draft Plans for Public Comments

Dec 2021

Revision
- Revise the framework per Public Comments

Apr – May 2022

May – Jun 2021

Consultation
- Scope of work to be prioritized
- Who should participate in the prioritization and their roles & responsibilities
- The process and techniques to be used

Jul 2021

Publication
- Publish Briefing Paper – Version 1 per consultation input

Oct 2021

Publication
- Publish Briefing Paper – Version 2 per consultation and pilot input

◎ The timeline is tentative and will evolve as we consult with the Community and Board.

◎ The prioritization framework will keep evolving to enable agility and ensure continuous improvement to meet the Community, Board and org's needs.

Community and Board Participation

Community, Board and Org Consultations

The objective of consultations is to collect diverse stakeholder input to inform the iterations of the draft prioritization framework

The consultation will include informal engagements among community, Board, and org. and public webinars to brief the entire community on the proposed prioritization framework and invite feedback on the approach

- ⊙ **Suggested Community consultations**
  - o SO/AC Leadership
  - o SO/AC established groups focused on planning and financials:
    - • ccNSO Strategic and Operational Planning Committee (SOPC)
    - • GNSO Standing Committee on ICANN's Budget & Operations Planning (SCBO)
    - • ALAC Operations, Finance and Budget Working Group (OFB-WG)
  - o ATRT3 Implementation Shepherds
  - o Public webinars

- ⊙ **Suggested org and Board consultations**
  - o Board caucus group on Budgeting and Prioritization (BPCR) and Board Strategic Planning Committee (BSPC)
  - o Org Executive Team and org Planning Liaisons
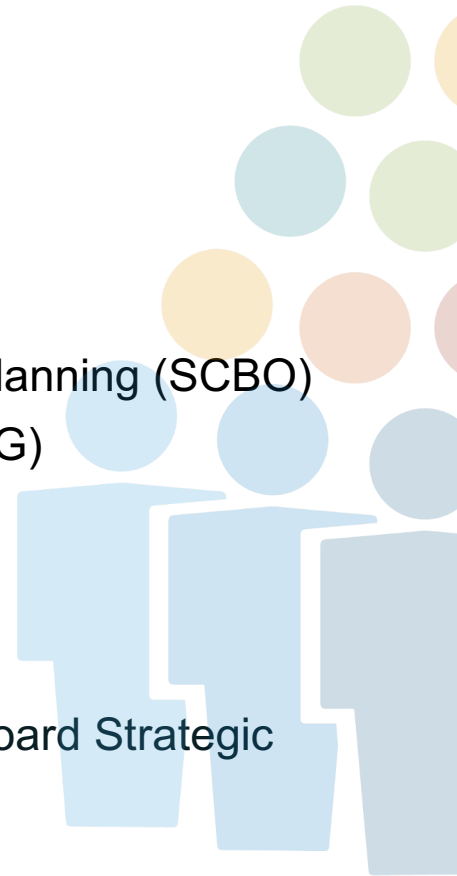
Next Steps Prioritization Framework

The planning team will reach out and schedule Community, Board and org consultations

✉ Email Planning Team ▶

planning@icann.org

Supplemental Fund for Implementation of Community Recommendations (SFICR)

Shani Quidwai

SFICR Overview

◉ In order to bring support and flexibility with upcoming challenges that ICANN org faces, we recommend creating a Supplemental Fund for Implementation of Community Recommendations (SFICR) which the BFC has recommended to the Board to adopt.

◉ An initial allocation to the Fund will be proposed to the Board using excess in the Operating Fund

◉ Key benefits of creating a SFICR:
   o Large or long projects are challenging to manage within our annual budget process, and don't easily fit with our annual funding
   o Forces discipline in planning/accounting/analyzing projects' expenditures; Requires org to identify project funding before starting to spend
   o Increases transparency and accountability by isolating the spend and matching it to the funding
   o Segregated resources in support of increasing the capacity of the organization to address activities and projects not currently included in the organization expenses run-rate, but nonetheless included in the Strategic/Operating Plans and requiring funding

SFICR Potential Projects

◉ Primarily, this fund would address the most important implementation work that has already been approved by the Board but not funded, or soon to be adopted and funded

◉ Projects can only be approved if there is sufficient budget in the fund; this would ensure we never spend beyond our means

◉ Illustrative Potential Projects (to be evaluated against the criteria):

  o Cross community recommendations: WS2, Evolution of the MSM (Prioritized in FY22)

  o GDPR-related work: SSAD / UAM work and implementation

  o Review implementation: CCT, SSR2, ATRT3

◉ Allocate funds at inception, and contribute every year through an allocation from annual funding (the annual budget will plan for excess to continue funding this account)

◉ The approval will follow the annual budgeting process which the Board and Empowered Community approve

SFICR would not include Auction Proceeds and Sub Pro which are self funded programs that do not use Operational Funds

How the SFICR Works

◉ The SFICR's funding and expense allocations would be evaluated **during ICANN's annual planning process**

◉ Projects that been approved by the Board or soon to be adopted and **cannot fit within the annual budget** due to cost and duration will be candidates for the SFICR

  ○ These projects will be proposed to be funded via the SFICR as part of the annual plan and five-year operating plan process submitted to public comments for Community for consideration

◉ ICANN org recommends a separate fund for SFICR because the <u>Reserve Fund policies and principles do not allow for this type of spend</u>, as the Reserve Fund is meant to be a last resort fund for unplanned or emergency related expenses

◉ The governance of the SFICR will be defined in the ICANN org's Investment Policy

◉ Replenishment of the SFICR will be evaluated annually during the planning process, which is also when ICANN org proposes to make a recommendation to allocate any excess (if applicable) in the Operating Fund

Next Steps

◉ The BFC has recommended to the Board to authorize creation of the Supplemental Fund for Implementation of Community Recommendations (SFICR)

◉ The Board will evaluate this decision and vote for decision in May

Appendix

SFICR Governance/Process

Steps	When (Approx.)
Planning prioritization phase identifies the projects intended to be carried out, potentially new candidates for funding by the SFICR in the planned year (in addition to current year funded projects)	June – August
ICANN org presents to BFC previous and fiscal year's SFICR spend and planned spend for the current year (as per previously adopted budget)	October
BFC reviews draft five-year and one-year plans including projects proposed to be funded by the SFICR in the one-year plan, potential proposed allocation to Reserve Fund and to SFICR	December
Public comment for draft five-year and one-year plans including explanation of SFICR and proposed project usage	December – February
Community webinar to review draft plans including projects using SFICR	January
ICANN org reviews Public Comment inputs and any proposed changes	March
BFC reviews comments on the five-year and one-year plans including on SFICR-funded projects and SFICR contribution and usage	April
Board adopts Operating plans and budget, including allocation to and usage of SFICR, potentially revised after public comments	May
Empowered Community Rejection Period	May – June

Flowchart for Operating Fund Excess Situations

ICANN org generates Operating Fund excess → Does the Reserve Fund have 12 months of Operating Expenses? — No → Make a minimum contribution to the Reserve Fund → Is there excess after the minimum contribution? — No → End of process

Does the Reserve Fund have 12 months of Operating Expenses? — Yes ↓

Is there excess after the minimum contribution? — Yes ↓

Evaluate and make contribution to SFICR based on qualifying projects that did not fit in the annual budget ↓ Is there excess after the SFICR contribution? — Yes → Contribute any remaining excess to the Reserve Fund (can leave some in Operating Fund in uncertain climates) → End of process

Is there excess after the SFICR contribution? — No → End of process

Note: the excess can occur in any year because (i) it was budgeted and did occur, or (ii) because of any combination of unplanned expenses being lower or funding being higher, or (iii) because both (i) and (ii) occurred.