

CCWG Auction Proceeds

Disbursement Scenarios and Resource Impact

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5 October 2017



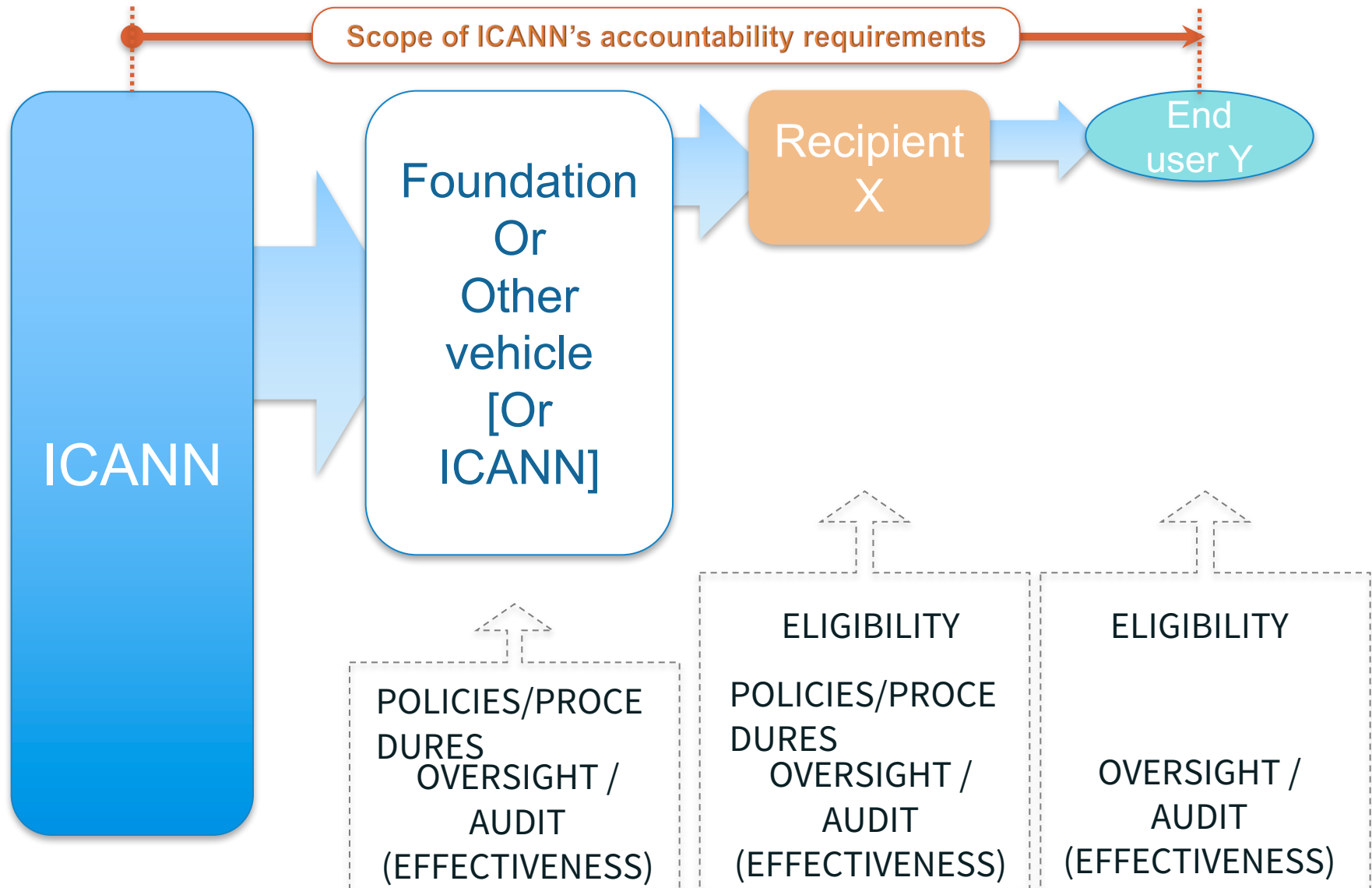
Agenda

- Question #7: *Different options on ICANN's role in the solicitation and evaluation of proposals, and disbursement process.*
- Overview of ICANN's resource impact under different scenarios:
 - Internal to ICANN (New dept? New foundation?)
 - Hybrid – ICANN and Outsourced (each distribute)
 - Fully outsourced, with oversight.
 - Fully outsourced, with no oversight

Guiding Principles Across Scenarios

- Ensuring mission is respected
- Ensuring fiduciary responsibility of ICANN Board and Officers
- Ability to hold both distributor of funds and fund recipients accountable to ICANN Community

Auction proceeds – funding workflow illustration



Scenarios – Resource Impact

	1: Internal to ICANN/ICANN Foundation		2: Hybrid (ICANN and Outsourced each distribute)		3: Fully Outsourced with oversight		4: Fully Outsourced with no oversight	
	Internal Resources	External Resources	Internal Resources	External Resources	Internal Resources	External Resources	Internal Resources	External Resources
Governance Monitoring of entire process/ Fiduciary responsibility	✓ Yes	✗ No	✓ Yes	✓ Yes	✓ Yes	✓ Yes	✗ (no way to monitor/ maintain fiduc. resp.)	? Unknown
Application Process Solicitation and evaluation of applications in line with stated purposes	✓ Yes	✗ No	✓ Yes	✓ Yes	✓ Yes (oversight)	✓ Yes	✗ (no way to assure purposes achieved)	? Unknown
Disbursement Process and Monitoring Proper distribution and use of funds	✓ Yes	✗ No	✓ Yes	✓ Yes	✓ Yes (oversight)	✓ Yes	✗ (no way to ensure proper use of funds)	? Unknown
Operational Costs Administration / responsibility to maintain reasonable costs	✓ Yes	✗ No	✓ Yes	✓ Yes	✓ Yes	✓ Yes	✗ Not Applicable	? Unknown

Appendices



Auction proceeds – governance requirements (1/2)

- Annual independent audit:
 - ICANN is subject to such audit because it is a non-profit organization based in the US (other countries may have different requirements).
 - The objective of the audit is “to obtain reasonable assurance about whether the financial statements are free from material misstatement.”
 - The auditors opinion, if clean, is: “The financial statements [...] present fairly, in all material respects, the financial position of ICANN [...] in accordance with US accounting principles.”
 - The audit does not have the objective to:
 - verify every transaction, or entry,
 - detect fraud.

Auction proceeds – governance requirements (2/2)

- Fiduciary requirements for directors and officers of ICANN:
 - Disbursements must be in accordance with ICANN’s mission.
 - Disbursements must be made for lawful purposes.
 - Oversight and management of the funds (Investment policy, compliance, performance management).
- Requirements resulting from ICANN’s accountability and transparency to the public:
 - Engage with the Community on planning, performance and reporting of activities carried out.
 - Be available and ready to respond to inquiries, publish documents and information.

Auction proceeds – ICANN Operational Objectives (1/2)

- ICANN's operational objectives:
 - ICANN must ensure policies and procedures exist and are effective to manage the applications for funding:
 - Receive applications for funding,
 - Evaluate applications for funding,
 - Organize quality control and/or audit of applications evaluations,
 - Organize and support reconsideration procedures for evaluation decisions,
 - ICANN must be able to manage and address risks (including possible legal defense).

Auction proceeds – governance requirements (2/2)

- ICANN's operational objectives (cont'd):
 - ICANN must design and implement verification procedures to ensure compliance of the funds disbursements with the approved objective, IRRESPECTIVE of the mechanism retained to organize the evaluation and disbursement.
 - Organize disbursement process and monitor disbursements,
 - Monitor the compliance of the recipient's use of the funds with the intended purpose of the grant (which justified approving the application),
 - ICANN must put in place reporting and publication processes to ensure transparency on evaluation procedures, results, and usage of funds.
 - Explain/report on/publish results of evaluations,
 - Explain/report on/publish analyses of the effective use of the funds.

Auction proceeds – Expenses (1/2)

- “overheads”:
 - Term used to describe non-operational, administrative type of expenses, in support of an operation, not the costs incurred for operations.
- “Auction Proceeds” expected expense types:
 - **Design and implementation** costs: to create the structure(s) necessary to organize the auction proceeds management.
 - **Evaluation** costs: to receive and assess the eligibility of requests for funding.
 - **Governance** costs: to perform the control and oversight of the evaluation, disbursement and use of the funds, and organize the transparency mechanisms.
 - **Overheads** costs: costs of support functions to performance of above functions. Support functions typically include: Management, Legal, Communications, Human Resources, Finance, Information Technology,...
 - **Risks/defense** costs: to manage possible issues, possible IRPs, possible lawsuits,...

Auction proceeds – Expenses (2/2)

- Some of the Factors affecting the level of expenses:
 - **Type of structure** used to manage the process: ICANN vs foundation vs third parties organization,...
 - **Number / size** of the grants: many/small, few/large
 - **Disbursement pattern**: one-time vs over time, capital until exhaustion vs interest-only,...
 - **Diversity** of applicants and incumbents,
 - **Complexity of the projects** funded: one-time event vs dispersed on-going operations, easy to evaluate effectiveness or outcome subjective,
 - Frequency/complexity of communication/reporting requirements

→ The “percentage of overheads” is the result of objectives and requirements, not a driver to the expenses.

Implication on level of overheads costs