

Dear Jose Manuel,

This letter has been sent to you by the co-chairs of the ICANN Cross-Community Working Group on new gTLD Auction Proceeds (CCWG AP). Via this letter, the CCWG AP requests your assistance in helping inform its deliberations by tapping into your knowledge and expertise in the area of soliciting applications for funding of projects, how communications and evaluations of proposals are conducted, and how measurement mechanisms are established. We understand that ICANN is a unique organization and may not be familiar to your organization, or to you. To facilitate your engagement with the CCWG AP, the background in Annex A may be informative.

The CCWG AP has proposed a number of questions (see Annex C) which it invites your input to. This is not a request for proprietary information from you or the firm or entity you represent, only your participation as an informal expert to offer suggestions from experience. This is also not an interview or opportunity to present a service proposal on how you or your affiliated entity can serve ICANN in the future. This is a request for you to volunteer some time to take part in this informational conversation to help advance the CCWG-AP's considerations of options, by learning from others' experiences.

We do recognize that the preparation of your responses may take some time. Nonetheless, we would like to ask you to provide your feedback by Monday 5 March 2018 to allow the working group to make progress on its recommendations. Do note that all responses are expected to be publicly posted on the CCWG AP's online work space: <https://community.icann.org/x/yJXDAw>. Depending on the answers to your questions, a staff member from the ICANN organization might contact you for additional information.

Due to ICANN's unique status, we are particularly sensitive to both potential conflicts of interest and perceived conflicts of interest, thus, if you are interested in participating, we ask that you consider and provide a declaration of interest based on the questions identified in Annex B. Any declared interests will be identified on the record, for purposes of transparency, during your conversation with the community working group.

On behalf of the working group, we would like to thank you in advance for considering our request. Please do not hesitate to reach out to us should you have any further questions.

Best regards,

Erika Mann & Ching Chiao  
Co-Chairs of the new gTLD Auction Proceeds Cross Community Working Group

# ANNEX A

## What is ICANN?

ICANN is a not-for-profit public-benefit corporation with participants from all over the world dedicated to keeping the Internet secure, stable and interoperable. It promotes competition and develops policy on the Internet's unique identifiers. Through its coordination role of the Internet's naming system, it does have an important impact on the expansion and evolution of the Internet. ICANN is headquartered in Los Angeles but its operations are global.

To reach another person on the Internet you have to type an address into your computer -- a name or a number. That address must be unique so computers know where to find each other. ICANN coordinates these unique identifiers across the world. Without that coordination, we wouldn't have one global Internet. In more technical terms, the Internet Corporation for Assigned Names and Numbers (ICANN) helps coordinate the Internet Assigned Numbers Authority (IANA) functions, which are key technical services critical to the continued operations of the Internet's underlying address book, the Domain Name System (DNS). The IANA functions include: (1) the coordination of the assignment of technical protocol parameters including the management of the address and routing parameter area (ARPA) top-level domain; (2) the administration of certain responsibilities associated with Internet DNS root zone management such as generic (gTLD) and country code (ccTLD) Top-Level Domains; (3) the allocation of Internet numbering resources; and (4) other services.

Read more: [www.icann.org](http://www.icann.org)

## What is the ICANN Cross-Community Working Group on new gTLD Auction Proceeds?

The CCWG AP was tasked to propose the mechanism that should be developed in order to allocate the new gTLD Auction Proceeds. A new generic Top-Level Domain Program within ICANN was developed to increase competition and choice in the domain name space. Hundreds of new strings have been delegated and continue to be added to the domain name system. ICANN's New Generic Top-Level Domain (gTLD) Program established auctions as a mechanism of last resort to resolve the competition sets between identical or similar terms (strings) for new gTLDs – known as string contention. Most string contentions (approximately 90% of sets scheduled for auction) have been resolved through other means before reaching an auction conducted using ICANN's authorized auction service provider, Power Auctions LLC. However, it was recognized from the outset that significant funds could accrue as a result of several successful auctions conducted by ICANN. Following the ICANN Board's commitment to do so, the auction proceeds derived from such auctions have been reserved and earmarked within ICANN until such time as the ICANN Board authorizes a plan for the appropriate use of the funds. These proceeds are to be considered as an exceptional, one-time source of revenue. The total net proceeds to date are \$233.5 million USD. Details of the proceeds can be found here: <https://newgtlds.icann.org/en/applicants/auctions/proceeds>. The total amount of funding resulting from auctions, will not be known until all relevant applications have resolved contention.

## MORE INFORMATION

- New gTLD Auction Proceeds CCWG Workspace, including Charter, background documents and information: <https://buff.ly/2xeLKt9>
- CCWG Charter Question templates: <https://community.icann.org/display/CWGONGAP/Charter+Question+Templates>
- CCWG Work Plan: <https://community.icann.org/display/CWGONGAP/Work+Plan>

## About the CCWG AP's recommendations

As you review the questions and consider your responses, it is important to note that the CCWG AP's recommendations must take into account the following:

- The eventual recommendations should not endanger ICANN's 501(c)(3) tax exempt, public charity status. ICANN must act exclusively in service to its charitable purpose, and as limited by its Mission (see <https://www.icann.org/resources/pages/governance/bylaws-en/#article1>). Maintaining adherence to Mission is important from source (ICANN) to destination (end recipient), no matter what type of tool (foundation, committee, etc.) is used to make decisions on providing a portion of the proceeds to end recipients. If you are interested to read more about the legal and fiduciary requirements associated with this tax exempt status, please see [here](#).
- The working group has come up with 4 different possible mechanisms that could be considered:
  - *A New ICANN Proceeds Allocation Department is created as part of ICANN, the organisation (ICANN Org) - This department would be part of ICANN Org and take full responsibility for solicitation and evaluation of proposals, and disbursement process.*
  - *New ICANN Proceeds Allocation Department Created as part of ICANN Org which would work in collaboration with an existing charitable organization(s) - Responsibilities for solicitation and evaluation of proposals, and disbursement process would be split between the newly created department and the existing charitable organization(s).*
  - *A new structure would be created (e.g. ICANN foundation) - A new structure would be created separate of ICANN Org which would be responsible for solicitation and evaluation of proposals, and disbursement process*
  - *An established entity/entities (e.g. foundation or fund) are used (ICANN would organize the oversight of processes to ensure mission and fiduciary duties are met) - An established entity / entities (e.g. foundation or fund) would be responsible for solicitation and evaluation of proposals, and disbursement process.*

The working group has identified a set of questions for each of these scenarios (see full list of questions attached), but should there be other options that the working group should consider, you are encouraged to share that feedback.

# ANNEX B

## Conflict of Interest Declaration

If you are interested in participating in the Cross Community Working Group on new gTLD Auction Proceeds (CCWG AP), we ask that you consider and provide a declaration of interest, based on the questions identified below. Any declared interests will be identified on the record, for purposes of transparency, during your conversation with the CWWG.

You are kindly invited to answer the following questions, and to send your response to [gns0-secs@icann.org](mailto:gns0-secs@icann.org).

1. Do you, or an entity that you represent, hope to assist ICANN/serve as a grant-making organization in the future in relation to the auction proceeds?  
NO
2. Are you, or an entity that you represent, interested in applying for a portion of the auction proceeds.  
YES
3. Are you, or an entity that you represent, an advisor to other potential applicants interested in applying for some of the auction proceeds? If no, do you anticipate that you/the entity you represent, may serve in this advisory capacity in the future?  
NO
4. Are you, or an entity that you represent, interested in serving as a consultant to ICANN in designing/implementing the selected structures?  
NO
5. Are you, or an entity that you represent, a part of ICANN's community, and if so, will you be representing that position as part of your conversation with the auction proceeds group?  
NO

# ANNEX C – Questions for your specific attention

General questions:

- In addition to the possible mechanisms outlined by the CCWG, namely (1) New ICANN Proceeds Allocation Department Created as part of ICANN Org, 2) New ICANN Proceeds Allocation Department Created as part of ICANN Org which would work in collaboration with an existing charitable organization(s), 3) A new structure would be created (e.g. ICANN foundation), 4) An established entity/entities (e.g. foundation or fund) are used (ICANN would organize the oversight of processes to ensure mission and fiduciary duties are met), are there any other mechanisms that you would recommend for consideration? Note that the CCWG already excluded to invest all the proceeds into a fund and only disburse the interests resulting from this investment. Please note that all proposed mechanisms need to meet the legal and fiduciary requirements (for further details, see [here](#)).

No. I think the four proposed mechanisms cover well enough the range of possibilities.

- As the mechanism to be recommended is expected to be of a temporary nature, as the available funds are a one-off allocation, what aspects should be factored in and considered when deciding on a mechanism (e.g. what characteristics would facilitate sun-setting of the mechanism)?

More than sun-setting of the mechanism, my concern would be to introduce unnecessary burdens and complexity. For example, if option 3 is to be chosen it could well mean a separate but similar organizational structure with an executive team, CEO, Board... although it is doable, managing all of that will likely come at an increased internal cost (not only monetary) and may introduce some tension between ICANN and the new Foundation to keep alignment of mission, activities, etc.

- Are you aware of any models or mechanisms in which a third party provides an oversight role? If so, please share those examples.

I have participated in some myself but of a voluntary nature (not legally binding) for the stakeholders involved. In my area of work over the last few years (Open Data) I have been involved in three initiatives started by like-minded organizations that then became independent entities: [Open Contracting Partnership](#), [Open Data Charter](#) and [Open Ownership](#). Transition of these initiatives to legal entities and independence led to considering several governance options and all have some sort of Advisory (oversight) Board whose members represent these entities and give strategic direction, guidance and, in some cases, even have approval/decision-making power in all things related to the entity itself.

Another interesting one to look at in this field, and with a different setting, is the [Open Government Partnership](#).

- Can you share best practices with regards to the evaluation of project applications?

This is a very complex question to answer. Some of the most known Foundations make their policies public, [such as the Bill and Melinda Gates Foundation](#), with quite some detail, hence I will only give a brief summary of what I consider the basics:

1. Setup a small group of experts to do the evaluation process (can be only internal or a combination of internal and external) and do it in phases; i.e. evaluate-pick the X best-do it again/iterate until you get to the best or Y better ones you can fund.
2. Develop a set of criteria that is clear to all members of the group, and to the external actors (ideally make it public and fully mapped to the published Terms of Reference) and make as much of that criteria as possible objective criteria in order to minimize subjectivity.
3. Review the proposal in detail, including
  - a. Check organization's background and experience in the field; i.e. do your due-diligence  
(this also applies to any Partner organizations that may be part of the proposal)
  - b. Review project description with detail: ensure it fits the ToR, it is sound, it is feasible and planned well enough to achieve the intended outcomes.
  - c. Check project timeline: is it reasonable? Is all that has been described doable in the proposed timeline?
  - d. Is there a Monitoring and Evaluation plan? It should be there and should be properly detailed.
  - e. Have potential risks being identified, evaluated and a mitigation strategy proposed?
  - f. Is there a dissemination plan?
  - g. Review the proposed budget in detail. Are the proposed line items reasonably budgeted? Would this budget be enough/too much for the project as described and in the proposed timeline?

Some of the items under #3 have to do with general organizational checks, some with the content itself, some with the funding request. In my experience so far, I've reviewed quite a few overbudgeted projects and quite a few underbudgeted ones. I've also reviewed quite a few realistic ones and quite a few unrealistic ones. Bottom line, and referring to the criteria, the evaluation must be balanced. It may well be an outstanding proposal from a content point of view is a bit overbudgeted but it deserves such given excellency in the content side. So I strongly suggest to keep in mind a negotiation phase.

As general guideline, I recommend not to favor more economical proposals as the main criteria but to give more weight to content related criteria and find the best cost/quality.

- What are the main costs to be incurred for grant distribution program? What are the various methods to measure these costs (fixed cost for the entire program, percentage of the total funds allocated for distribution,...)? Can you share what are the existing practices in your organization, for example if a percentage is commonly used in practice, what is the level of percentage most frequently observed?

My organization is mainly a grant recipient, although we also sub-grant in some occasions ([our funding sources are available on our website](#)) so my experience in grant distribution is limited.

One thing that I want to highlight though it's related to the previous question being about "projects".

Projects usually come with timelines, deliverables and the like that sometimes are difficult to handle for the grantee. For example, a 3-year project on a cutting edge field may change quite a bit after the first year, hence flexibility is needed to rework the targets but this is not something that all grantmakers are willing to do.

Another typical issue has to do with the core costs of running an organization. These costs vary from organization to organization but I would say are in the 15-20% range. Many project grants rarely cover as much as it's really needed and sometimes don't cover anything at all, which makes the sustainability of the grantee extremely difficult. I strongly encourage considering institutional grants in addition to project grants, where the grant maker identifies organizations whose mission is aligned with its mission and goals and enter into a longer term investment to sustain the mission of the grantee instead of a specific project.

One of the most known private foundations, Ford Foundation, has made a pledge to change both the non-sufficient cofre contributions and to engage much more in institutional grants and has created [a grant-making program called BUILD](#) that I suggest to have a look at.

- What mechanisms need to be in place for any mechanism to ensure external oversight / governance? E.g. Require external governance / non-exec directors / trustees in majority / advisory board?

I think the specific (governance) mechanism needs to be discussed and agreed on depending on the mechanism chosen. It would certinally need at least one body but maybe more. I don't have a specific opinion at the time of responding.

<b>Possible mechanism #1</b>	<i>New ICANN Proceeds Allocation Department Created as part of ICANN Org</i>
<b>General description</b>	This department would be part of ICANN Org and take full responsibility for solicitation and evaluation of proposals, and disbursement process, in accordance with the recommendations of the CCWG
<b>Clarifying questions and/or questions for experts</b>	<p><b>Budget / Costs</b></p> <ol style="list-style-type: none"> <li>1. Do you have recommendations or examples of a good audit strategy to assure grants &amp; investments are on track to achieve desired outcomes?</li> <li>2. Are separate departments created for separate funds in your organization? If yes, what are the costs of such departments and how are they funded?</li> </ol> <p><b>Role of the Community</b></p> <ol style="list-style-type: none"> <li>3. Do you have experience in any grantmaking programs where you received guidance or input from stakeholders interested in the outcomes of the process? What did that look like? What engagement level and consultation processes did you have in place, and what types of issues were stakeholder providing input on? (If you answered 'no', please ignore questions 10 – 12)</li> </ol>

	<ol style="list-style-type: none"> <li>4. What have been effective engagement and feedback mechanisms for community members and other stakeholders to assist in achieving desired outcomes? What kind of models do you have in place to engage with stakeholders and what mechanisms have been proven to be effective?</li> <li>5. What methods and consultation processes have you found effective for tracking community / stakeholder input and determining the subsequent impact of that input?</li> <li>6. What methods or consultation processes have you found effective for community/stakeholder input on/review of the selection of proposals and determination of whether desired outcomes have been achieved?</li> </ol>
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<b>Possible mechanism #2</b>	<i>New ICANN Proceeds Allocation Department Created as part of ICANN Org which would work in collaboration with an existing charitable organization(s).</i>
<b>General description</b>	Responsibilities for solicitation and evaluation of proposals, and disbursement process would be split between the newly created department and the existing charitable organization(s).
<b>Clarifying questions and/or questions for experts</b>	<ol style="list-style-type: none"> <li>1. What guidance might you share on how ICANN might collaborate with other organizations in order to achieve our desired outcomes for the use of the auction proceeds?</li> <li>2. Are there any similar models (responsibilities divided between two different organizations) that you are familiar with that could serve as a model for this mechanism (for example, the Stanford Engineering School Venture Fund)?</li> <li>3. What are the standard practices around reviewing agreements for this type of mechanism to be implemented, to ensure all aspects are covered?</li> <li>4. What costs would be involved in creating such a collaboration between two entities as well as overhead expected to run this collaborative model?</li> <li>5. In case you or your organization has knowledge and expertise in working in a hybrid model, how does your organization manage the staffing and set up when collaborating in a hybrid mechanism like this (intermediary role)?</li> <li>6. Do you have experience in any grantmaking programs where you received guidance or input from stakeholders interested in the outcomes of the process? What did that look like? What engagement level and consultation processes did you have in place, and what types of issues</li> </ol>



	<p>were stakeholder providing input on? (If you answered 'no', please ignore questions 10)</p> <p>7. In a hybrid model, what methods and consultation processes have you found effective for tracking community / stakeholder input and determining the subsequent impact of that input?</p> <p>8. Do you have recommendations or suggestions for the selection criteria ICANN should use for choosing the right charitable organization to partner with?</p> <p>9. Based on your response to the previous question, are you in a position to make a recommendation for which existing charitable organizations ICANN could consider partnering with, should a hybrid model be recommended?</p> <p>10. what are the different ways that responsibilities could be allocated between ICANN and a partnering external organization? Are there certain responsibilities that are better taken on by the entity that is ultimately accountable to its mission in the distribution of funds? What is the industry standard (%) to be allocated to administrative costs for the organization partnering with ICANN? Please provide input taking into account different ways in which responsibilities could be divided between ICANN and the charitable organization.</p>
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<b>Possible mechanism #3</b>	<i>A new structure would be created (e.g. ICANN foundation)</i>
<b>General description</b>	A new structure would be created separate from ICANN Org which would be responsible for solicitation and evaluation of proposals, and disbursement process, in accordance with the recommendations of the CCWG.
<b>Clarifying questions and/or questions for experts</b>	<p><b>Set up</b></p> <p>1. Are you aware of any examples of new structures that were created, e.g. foundation, with a limitation in funds available.</p> <p>2. What criteria would need to be established to guide the selection of location/jurisdiction to headquarter this new entity? What factors would need to be considered to avoid restrictions to delivery of funds to developing countries? Are there any locations/jurisdictions that meet the criteria you outlined as part of this question that would also allow for a rapid establishment of a new entity?</p> <p>3. In your experience, how long will it take to get a new entity set up? What would be a realistic expectation with regards to \$\$ to be disbursed per year, factoring in the creation of a new entity?</p>

	<p><b>Cost</b></p> <p>4. What costs would be involved in creating such a structure as well as overhead expected to run such a structure? Staffing, financial systems, legal support, communications, reporting and monitoring (to name a few).</p> <p><b>Running of structure</b></p> <p>5. What processes and procedures would need to be in place to ensure appropriate oversight by ICANN of this new entity?</p>
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<b>Possible mechanism #4</b>	<i>An established entity/entities (e.g. foundation or fund) are used (ICANN would organize the oversight of processes to ensure mission and fiduciary duties are met)</i>
<b>General description</b>	An established entity / entities (e.g. foundation or fund) would be responsible for solicitation and evaluation of proposals, and disbursement process, in accordance with the recommendations of the CCWG.
<b>Clarifying questions and/or questions for experts</b>	<p><b>Selection</b></p> <ol style="list-style-type: none"> <li>1. Which process(es) could be used to determine which entity/entities are suitable?</li> <li>2. How to ensure that entity/entities goals align with that of ICANN and usage of funds?</li> <li>3. What criteria should be part of a selection process? E.g. location, access, restriction to deliver funds to developing regions/countries</li> <li>4. What would you anticipate that will be the benefits for the selected organization(s), if any?</li> <li>5. Based on your experience and responses to the previous questions, do you have any recommendations for which entity/entities could be considered for this scenario?</li> </ol> <p><b>Oversight / enforcement / legal requirements</b></p> <ol style="list-style-type: none"> <li>6. What contracts are typically in place between an entity such as ICANN seeking to disburse funds and the organization that will handle the application and disbursement process?</li> <li>7. How to avoid duplication of oversight as presumably entity/entities will have their own oversight mechanisms in place while ICANN does so as well?</li> <li>8. What particular oversight mechanism(s) would you recommend is established for this particular set up for the entity seeking to disburse funds?</li> </ol>

	<p>9. Based on your experience, what tools/mechanisms should be in place for financial management, validate technical outcomes, communications, monitoring and reporting?</p> <p><b>Other</b></p> <p>10. If you are familiar with a similar set up, how are these types of external organisations typically funded? Do they do this work solely based on cost recovery, or are there additional fees that are charged to operate grant making programs for other entities? If there are additional fees, how are those typically calculated?</p>
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In case you are interested, the full set of questions can be found here:  
<https://community.icann.org/x/ORS8B>.