

Dear Laurent,

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?
2. Are you, or an entity that you represent, interested in applying for a portion of the auction proceeds.
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?
4. Are you, or an entity that you represent, interested in serving as a consultant to ICANN in designing/implementing the selected structures?
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?

# 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](#)).
- 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)?

**This would suggest not creating a new legal entity, but rather arranging from a grant (program) contribution to an existing organization – this could be done as a competitive procurement process or smaller request for proposals (RFP). New organizations with their respective bureaucracies entail cultures of self-preservation that often go against “one off” processes.**

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

**Most program governance mechanisms entail some form of third party oversight ( e.g., at IDRC we manage programs for other donors where we sub grant – those programs have donor governance committees..it’s par for the course)**

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

There are entire manuals written on this, so not sure how much detail you,d want me to go into.

- 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?

**This depends greatly on what an organization is doing – as some organizations provide more capacity building, mentoring and communications to/with sub grantees and others just act as flow through but generally good practice would be between 70/30 (for intense involvement from managing org) to 90/10% (for flow through, where the 10% mainly supports finance and accounting compliance costs)**

- 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?

**This really depends on the objective of the fund/program and how it is hosted. IF the proposed host already has an external oversight/governance mechanism, there is less need to create a new one, although an advisory body is a good practice if the field is new or unknown to the host institution. However, a new organization or entity will need both an advisory and accountability governance**

structure (one body could provide both, but it's difficult to find expertise in fiduciary/financial and organizational accountability issues, as well as subject matter expertise).

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| Possible mechanism #1                             | <i>New ICANN Proceeds Allocation Department Created as part of ICANN Org</i>  |
| General description                               | 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  |
| Clarifying questions and/or questions for experts | <p><b>Budget / Costs</b></p> <p>1. What audit requirements need to be in place that would apply to the projects that are funded? Would these be different, dependent on the size of the project and the country of origin?<br/> <b>The approach we use is to highlight in contracts that any project could be audited. Every year a few projects are audited – generally based on identification of problems. It should be noted, however, that we do this because we undertake intensive institutional risk assessments of every organization we fund, making the auditing function less necessary.</b></p> <p>2. Do you have recommendations or examples of a good audit strategy to assure grants &amp; investments are on track to achieve desired outcomes?<br/> <b>We can share our procedures and practices</b></p> <p>3. Are separate departments created for separate funds in your organization? If yes, what are the costs of such departments and how are they funded?<br/> <b>Yes, generally separate programs (or departments) are created to manage externally funded programs. The funding is based on 3 tiers, the first is direct grant allocation (60-70%), the second is direct program support costs (20-30%) and the third indirect costs (10%) and costs are charged to the funder. However there are slim extra marginal costs of managing funds, so the bigger the fund, the smaller the department would cost. Also it is quite dependent on whether intense capacity building, mentorship and knowledge management and communications takes place or not ( flow through funds with minimal added value would likely cost about 10-15% of the fund)</b></p> <p><b>Role of the Community</b></p> <p>4. 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)</p> |

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|  | <p><b>Yes, generally through advisory committees, or through grantee events ( engaging with the community you invest in). These generally take the form of online and offline consultations at least yearly.</b></p> <p>5. 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?</p> <p><b>We work in developing country contexts where effective community engagement can be difficult especially in light of diversity of language and lack of connectivity. Research continues to show face to face engagement is still the most effective model, but obviously cost prohibitive. We continue to use those models above online ones, although mixed methods have helped</b></p> <p>6. What methods and consultation processes have you found effective for tracking community / stakeholder input and determining the subsequent impact of that input?</p> <p>I'm not sure I understand the question, especially the last part</p> <p>7. 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?</p> <p><b>I'm not sure I understand the question, for selection of proposals there are many proposal review and peer review methods ( we use "Fluid review)...but I'm not sure why you would be asking peer reviewers (or the community%) whether outcomes were achieved.</b></p> |
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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). |

**Clarifying questions and/or questions for experts**

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?
  - Being clear about what your expectations are
  - Being careful about value for money (what are you paying for and is it worth it)
  - Assess institutional risk and effectiveness

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)?

**There are too many to mention as this is a very typical model. We hosts dozens of funds and programs funded by other organizations, as does the UN (the UN Foundation is set up to do this), various universities and NGOs. OF possible interest is Grand Challenges Canada – an innovation fund that was administered through us and funded by the Government of Canada.**

3. What are the standard practices around reviewing agreements for this type of mechanism to be implemented, to ensure all aspects are covered?

**Contractual agreement developed and agreed upon by both organizations' legal teams.**

4. What costs would be involved in creating such a collaboration between two entities as well as overhead expected to run this collaborative model?

Highlighted in the pervious section – depends on the model used for administering the fund – whether just flow through (10%) or more intense capacity building, mentoring, communications, knowledge sharing (30%)

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)?

**As above it depends on the delivery model. If more intense, program managers, communications , evaluation, and grant admin staff could be hired, if simply flow through – only grant administration. Staff are usually hired on term contracts.**

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 were stakeholder providing input on? (If you answered 'no', please ignore questions 10)

As in previous model



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|  | <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?<br/>As in previous model</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> <ul style="list-style-type: none"> <li>- <b>Substantive/technical expertise</b></li> <li>- <b>Proven track record of financial management and good administrative procedures</b></li> <li>- <b>Effective governance structure</b></li> <li>- <b>Global presence</b></li> </ul> <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> <ul style="list-style-type: none"> <li>- <b>UN foundation, APC,</b></li> </ul> <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?<br/>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> <p><b>It's unclear what this fund will do – although I assume it will be related to the internet – as such I assume that ICANN could play an accountability role, ensuring the charity is meeting stated objectives in an effective and efficient way. ICANN could also play a technical advisory role and dissemination and uptake one, if it wishes. The Fund manager would mainly be involved in grant management and potentially in program support, dissemination and knowledge management.</b></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. |

**Clarifying questions and/or questions for experts**

**Set up**

1. Are you aware of any examples of new structures that were created, e.g. foundation, with a limitation in funds available.

**I should say upfront that I think this mechanism is my least favourite option, in large part because so many foundation, NGOs and other organizations already exist with seemingly similar mandates. At the end of the fund's lifespan the new structure would then be competing with numerous other organizations for a smaller set of resources, crowding out other players. Similar organizations are, as far as I know The Web Foundation, HIVOS, Mozilla Foundation**

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?

**Criteria: Banking flexibility, ease of air transport, good rule of law and well functioning institutions.**

**Setting up a new organizations in most jurisdictions is difficult, and could take years ( india), however most G7 countries have expedited institutional set up processes. The same problem can be thought of for financial/banking restrictions: in most G7 countries, banking flexibilities allow for relatively easy transfers to developing countries, which is not the case in the developing countries (where some countries, notably Brazil and India – where restrictions are such that it is near impossible to transfer funds outside the country). The inherent complexities involved further validate the idea that this is not a mechanism.**

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?

**As above it depends where.**

**Cost**

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).

**Anywhere between 3-7M a year depending on location and how grant disbursement and program management takes place (i.e. HQ in London, with staff that does program management,**

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|  | <p>evaluation , communications, accounting, HR, etc, would likely be more than 7M, whereas an organization doing mainly grant management with minimal substantive engagement would be less than 3M)</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> <p><b>ICANN could chair a board of governors that would meet on a regular basis</b></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> <p>1. Which process(es) could be used to determine which entity/entities are suitable?</p> <p><b>An open call or a survey of stakeholders to develop a shortlist that would then be asked to submit proposals.</b></p> <p>2. How to ensure that entity/entities goals align with that of ICANN and usage of funds?</p> <p><b>A fund governance committee could be structured that would include ICANN</b></p> <p>3. What criteria should be part of a selection process? E.g. location, access, restriction to deliver funds to developing regions/countries</p> <ul style="list-style-type: none"> <li>- <b>Technical/substantive expertise, track record in program, delivery, financial stewardship</b></li> </ul> <p>4. What would you anticipate that will be the benefits for the selected organization(s), if any?</p> <p><b>Financial and potential synergies or cross-pollination of ideas, partners and projects</b></p> <p>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?</p> <p><b>UN Foundation, Development Innovation fund, Grand Challenges, IDRC</b></p> <p><b>Oversight / enforcement / legal requirements</b></p> |

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|  | <p>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?</p> <p><b>There are different options, but a grant contribution agreement or an MoU are the most common</b></p> <p>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?</p> <p><b>Oversight mechanisms could be differentiated: for the established entity, governance could focus on broad programmatic, administrative and financial issues related to the whole org, whereas a specific governance body would oversee programmatic efficiency and effectiveness for the specific fund...duplication would happen however.</b></p> <p>8. What particular oversight mechanism(s) would you recommend is established for this particular set up for the entity seeking to disburse funds?</p> <p><b>As above</b></p> <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>We can share our manual.</b></p> <p>Other</p> <p>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> <p><b>Cost recovery and additional costs based on the level of engagement in program delivery</b></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>.