

Dear Irecê,

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

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.

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?
BNDES is a Brazilian development bank. Its mission is the development of the Brazilian economy and society. One of our instruments to do so is a non reimbursable fund (BNDES Funtec) upon which we support innovation through not for profit organizations. BNDES might have interest in being a agency to operate ICANN funds.
2. Are you, or an entity that you represent, interested in applying for a portion of the auction proceeds.
BNDES has a long history at managing international funds. As an example, BNDES manages Fundo Amazonia, an international fund aimed at preserving the Amazon rain forest. BNDES also has expertise at investing in social projects. These investments are mostly non-reimbursable.
BNDES could evaluate applying for a portion of the auction proceeds, as long as the collaboration requirements are aligned with BNDES missions.
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, BNDES does not advise companies on its investment and funding decisions.**
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? **No.** 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)? [Effectiveness should be clearly defined and measured, from the outset. Cost of the eventual structure to be created compared to spread/management fees of existing institution as well.](#)
- Are you aware of any models or mechanisms in which a third party provides an oversight role? If so, please share those examples. [Effectiveness should be measured, evaluated and reported by a third party, in order to improve transparency. A local council with different stakeholders like the Brazilian Internet Manager Council \(CGI\) should also be considered in any situation to assess project outcomes and externalities.](#)
- Can you share best practices with regards to the evaluation of project applications? [BNDES applies an evaluation process and methodology called “Tese de Impacto do Investimento em Projetos \(TIIP\)”, Project Investment Impact Thesis. This framework is used to evaluate which projects should be supported by BNDES investments. Another useful methodology which BNDES has worked with is the *Quadro de Resultados* \(Result Board or Table of Deliverables - not sure if this is the correct name\) used by IDB.](#)
- 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? [When we support a non reimbursable funded project we usually accept 10-15% of overhead costs \(mainly administrative costs\). BNDES also structure seed and venture capital funds. The amount of fixed fees for the manager of these funds varies depending on the risk of the involved target and ticket involved \(support to smaller companies involves more effort for the fund administrators; therefore we tend to increase the % of fixed remuneration\).](#)

- 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?

Advisory boards should definitely be considered. Academy, technology institutes, government, development agencies, experts etc are one of the seats to be considered.

Transparency for local society as well: public calls and a specific websites are possible mechanisms to be used. .

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

<p>Clarifying questions and/or questions for experts</p>	<p>Budget / Costs</p> <ol style="list-style-type: none"> 1. What audit requirements need to be in place that would apply to the projects that are funded? <i>It will depend on the amount of money per project. For many small projects model, ICANN should develop local partnership for auditing and audit the auditors and the project itself in a sample approach. For few big project approach, it might be cost effective to audit with in house professionals.</i> Would these be different, dependent on the size of the project and the country of origin? <i>Yes. The country of origin is also important to define if there is a local structure/institution to be certified as an audit partner or not, or if its close enough to the ICANN headquarters for local auditing.</i> 2. Do you have recommendations or examples of a good audit strategy to assure grants & investments are on track to achieve desired outcomes? <i>As previously mentioned, Amazon Fund (BNDES) and IDB has a recognized capability and methodologies to be considered.</i> 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? <i>It depends. Some funds are used by several departments and some have a specific one to manage it. We typically have from 10 to 25 professionals in each department in BNDES.</i> <p>Role of the Community</p> <ol style="list-style-type: none"> 4. Do you have experience in any grantmaking programs where you received guidance or input from stakeholders interested in the outcomes of the process? <i>Yes, Amazon Fund</i> What did that look like? <i>It's good for the BNDES improvement to be audited by another institution.</i> 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) <i>Unfortunately it was not possible to consult the professionals that could answer the specific question.</i> 5. What have been effective engagement and feedback mechanisms for community members and other stakeholders to assist in achieving desired outcomes? <i>First its important to set a common vision on the goals of the project and this should be stated in deliverables (efficacy). Milestones should also be set, and disbursements should follow the physical and financial evolution of it. What kind of models do you have in place to engage with stakeholders and what mechanisms have been proven to be effective? The more effort/money a local/interested counterpart provides, the better. A clear deliverable is also important. Publicizing the outcomes and outputs helps to expose (for the good or bad) the reputation of the institution.</i> 6. What methods and consultation processes have you found effective for tracking community / stakeholder input and determining the subsequent impact of that input? 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? <i>As explained earlier, BNDES uses a methodology for selection of proposals, called "Tese de Impacto do Investimento em Projetos (TIIP)", Project Investment Impact Thesis. To evaluate whether desired outcomes have been achieved, BNDES uses a methodology called "Quadro de Resultados (QR)", Table of Deliverables. This table shows deliverables indicators, on efficacy and effectiveness, which must be measured before the start or the project, during its execution, and after its conclusion.</i>
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