

# Report of Public Comments

|   |                                      |                        |                         |                    |               |                     |             |  |  |                                    |  |                              |  |                                    |  |   |  |
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| <b>Title:</b>   | FY16 Draft Operating Plan and Budget |                        |                         |                    |               |                     |             |  |  |                                    |  |                              |  |                                    |  |   |  |
| <b>Publication Date:</b>  | 05-June-2015                         |                        |                         |                    |               |                     |             |  |  |                                    |  |                              |  |                                    |  |   |  |
| <b>Prepared By:</b>   | ICANN Staff                          |                        |                         |                    |               |                     |             |  |  |                                    |  |                              |  |                                    |  |   |  |
| <table border="1"> <tr> <td colspan="2"><b>Comment Period:</b></td> </tr> <tr> <td>Comment Open Date:</td> <td>18-March-2015</td> </tr> <tr> <td>Comment Close Date:</td> <td>01-May-2015</td> </tr> </table>   |                                      | <b>Comment Period:</b> |                         | Comment Open Date: | 18-March-2015 | Comment Close Date: | 01-May-2015 | <table border="1"> <tr> <td colspan="2" style="text-align: center;"><b>Important Information Links</b></td> </tr> <tr> <td colspan="2" style="text-align: center;"><a href="#">Announcement</a></td> </tr> <tr> <td colspan="2" style="text-align: center;"><a href="#">Public Comment Box</a></td> </tr> <tr> <td colspan="2" style="text-align: center;"><a href="#">View Comments Submitted</a></td> </tr> </table> |  | <b>Important Information Links</b> |  | <a href="#">Announcement</a> |  | <a href="#">Public Comment Box</a> |  | <a href="#">View Comments Submitted</a> |  |
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| <a href="#">Announcement</a>  |                                      |                        |                         |                    |               |                     |             |  |  |                                    |  |                              |  |                                    |  |   |  |
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| <b>Section I: General Overview and Next Steps</b>   |                                      |                        |                         |                    |               |                     |             |  |  |                                    |  |                              |  |                                    |  |   |  |
| <p>This document summarizes the public comments received on ICANN’s Draft FY16 Operating Plan and Budget during the public comment and reply periods that ran from 18 March 2015 through 1 May 2015.</p> <p>There were 84 comments received from 9 organizations which were wide-ranging and diverse. We have grouped the comments by subject matter and have responses to each comment in this document.</p> <p>In response to community feedback received in the past, ICANN took steps during the public comment response period to ensure that all public comments received were reviewed by both staff and Board Finance Committee members and used to improve the final FY16 Operating Plan and budget that will be voted upon by the Board. As a result, ICANN allowed more time than the standard two week period to produce this staff report.</p> <p>During this extended period, ICANN held public calls during which the comments were presented by the submitters to ICANN. This interaction enhanced ICANN’s understanding of the comments, which ultimately allowed for improved response quality as well as supported suggested changes to the Operating Plan and Budget.</p> <p>We want to acknowledge the significant work and efforts by the Community in reviewing the Draft FY16 Operating Plan and Budget and providing the useful comments. Thank you for your input and continued contribution to fulfilling ICANN’s commitment to accountability and transparency.</p> |                                      |                        |                         |                    |               |                     |             |  |  |                                    |  |                              |  |                                    |  |   |  |

## Section II: Contributors

*At the time this report was prepared, a total of nine community submissions had been posted to the Forum. The contributors, both individuals and organizations/groups, are listed below in chronological order by posting date with initials noted. To the extent that quotations are used in the foregoing narrative (Section III), such citations will reference the contributor's initials.*

### Organizations and Groups:

| Name   | Submitted by   | Initials     |
|--|--|--------------|
| At-Large Advisory Committee                              | ICANN Policy Staff in support of ALAC  | ALAC         |
| Business Constituency                                    | Jimson Olufuye, J. Scott Evans, Angie Graves, Chris Chaplow, and Susan Kawaguchi | BC           |
| ccNSO Strategy and Operating Plan Working Group          | Giovanni Seppia  | ccNSO SOP WG |
| Cross Community Working Group-Stewardship                | Jonathan Robinson  | CWG          |
| Generic Names Supporting Organization Council            | Jonathan Robinson  | GNSO         |
| Intellectual Property Interests Constituency of the GNSO | Steve Metalitz   | IPC          |
| Internet Service Providers and Connectivity Providers    | Wolf-Ulrich Knoblen  | ISPCP        |
| Public Interest Registry                                 | Paul Diaz  | PIR          |
| Registries Stakeholder Group                             | Paul Diaz  | RySG         |

### Individuals:

| Name | Affiliation (if provided) | Initials |
|------|---------------------------|----------|
|      |                           |          |

## Section III: Summary of Comments

*General Disclaimer: This section is intended to broadly and comprehensively summarize the comments submitted to this Forum, but not to address every specific position stated by each contributor. Staff recommends that readers interested in specific aspects of any of the summarized comments, or the full context of others, refer directly to the specific contributions at the link referenced above (View Comments Submitted).*

Because the comments received were wide-ranging and diverse, we have grouped the comments by subject matter and provided responses to each in Section IV below. Please see the chart below for a mapping of comments by submitter.

| Submitter    | Comments  |
|--------------|---|
| ALAC         | 13.3, 26.12   |
| BC           | 1.3, 2.2,13.2,24.2,25.1,26.5,26.6,26.7  |
| ccNSO SOP WG | 1.1, 1.2, 2.1, 3.1, 4.1, 5.1, 6.1, 6.2, 6.3, 6.4, 6.5, 7.1, 8.1, 17.1, 17.2, 17.3, 17.4, 18.1, 18.2, 18.3, 19.1, 19.2, 19.3, 19.4, 20.1, 20.2, 20.3, 20.4, 26.1 |
| CWG          | 21.2,21.3,21.4  |
| GNSO         | 13.4, 13.5, 13.6, 13.7, 13.8, 24.1, 26.11, 26.13  |
| IPC          | 4.2, 5.2, 9.1, 10.1, 11.1, 12.1, 13.1, 14.1, 14.2, 15.1, 16.1, 16.2, 26.2, 26.3, 26.4, 26.14  |
| ISPCP        | 10.2, 13.9, 21.1, 23.1  |
| PIR          | 1.4, 26.15, 26.16   |

## Section IV: Analysis of Comments

*General Disclaimer: This section is intended to provide an analysis and evaluation of the comments received along with explanations regarding the basis for any recommendations provided within the analysis.*

Please note the following:

- All amounts referenced below are in U.S. dollars unless otherwise stated.
- All references to changes to the FY16 Operating Plan and Budget are suggested changes and subject to approval by the Board.

### 1. Revenue

**1.1 Comment from ccNSO SOP WG:** Revenues based on industry knowledge and experience, the estimates regarding registrar accreditation appear to be reasonable. As noted in our general comments, we are concerned regarding the potential volatility of the global market and the resultant uncertainty regarding registration trends, which could result in volumes less than those budgeted.

**Response:** The budgeted revenue figures for legacy gTLD transactions follow historical trends, and this approach has generally proven reliable. The budget treats new gTLD transactions fairly conservatively (e.g., assuming, at most, a 50% rate of renewal in new gTLDs, and excluding data from "free" registrations in estimating registration creation and renewal volume of gTLDs that have yet to launch). The total amount of revenue resulting from new gTLD transaction fees amounts to less than 4% of total ICANN revenues. As a result, we do not anticipate a significant shortfall in this area.

**1.2 Comment from ccNSO SOP WG:** 5.3 Registrar fees. Based on industry knowledge, we feel that the estimates of 60 registrar applications and a total of 1,500 registrar renewals are reasonable. However, we do consider that the fees paid by registrars should be reviewed and a date for that review should be set by the ICANN Board and communicated to registrars and the community. The review should also cover the levels of discounts and the current "forgiveness" arrangements for registrars that are smaller in size and activity.

**Response:** The Registrar Accreditation Agreement provides that fees paid by registrars must be approved by ICANN's Board of Directors, and in the case of "variable" fees, the fee structure must be approved by registrars (see <https://www.icann.org/2013raa#3.9> for the particular requirements). For this reason, the registrar fee schedule is described in detail in ICANN's Operating Plan and Budget. Once the FY16 Operating Plan and Budget has been adopted by the Board, including the registrar fee schedule, the registrar's proceed with a vote to approve the fee schedule prior to the first quarterly billing period.

**1.3 Comment from Business Constituency (BC):** As a result of the retreat and other community engagement efforts in which BC was active, the BC notes that assumptions and projections on revenue are more realistic and that projects are more tightly linked to goals and objectives through portfolios in line with the ICANN Five Year Strategic Plan and the Operation Plan.

**Response:** Thank you for identifying the changes to the ICANN Operating Plan and Budget process that are considered valuable, as this is will help continuously improving the information published for transparency and accountability to the public interest.

**1.4 Comment from Public Interest Registry:** Public Interest Registry believes that ICANN must prioritize the rationalization of the revenues and expenses contained in its budgets. To this end, ICANN should begin by engaging its contracted parties as soon as possible in a review of the cost justification of all domain name-

related fees. Registrars were offered a discount on their domain transaction fees as an incentive to sign the 2013 Registrar Accreditation Agreement, yet the community never understood how ICANN arrived at the rate reduction. This arrangement lacked transparency and accountability. Registries, on the other hand, have never had their fees reviewed, much less reduced. Similarly, the registries' petitions for such an assessment during the ongoing new gTLD Registry Agreement negotiations were rejected. As a first step, ICANN should focus on the \$25,000 minimum annual fee it charges all gTLD registries. For smaller operators, especially those operating Internationalized Domain Name (IDN) domains, the annual fee is a significant drain on operations that could be better used promoting the TLD. ICANN management claims that it supports the IDN program: make that a reality by engaging with registries now to cost justify their fees and build rationalized budgets going forward. The registry agreement provides for the opportunity to review certain provisions, including the fee structure, on an annual basis. As discussions relative to the registry agreement are currently on-going, questions or requests on the fee structure should be raised with ICANN staff, notably on the subject of the minimum fixed fee and IDN-related fees.

**Response:** ICANN extensively improved its planning process over the past 2 years with the following:

- Creation of a 5-year Strategic Plan, structured with five objectives, resulting from a comprehensive bottom/up multistakeholder input process (approved by the Board on 8 September 2014),
- Creation of a Five-year Operating Plan, translating the five strategic objectives into operational activities, including key success factors, risks and annual milestones, through a structure of 16 goals and 50 portfolios (approved by the Board on 6 April 2015),
- An FY16 Operating Plan and Budget, providing for a breakdown of all ICANN costs by each of the 5 objectives, 16 goals, 50 portfolios, and 300+ projects (by cost nature: Personnel, Travel and Meeting, Professional Services and Administration).

The justification of "why" expenses are incurred (strategic and operational rationale), and "what" expenses are incurred (through 300+ projects) is provided in a clear and transparent fashion as a result of the strategic, operating and budget plans described above.

In addition, the effectiveness of the costs incurred in contributing to the achievement of the objectives is expected to be supported and demonstrated by the monitoring of metrics/KPIs to be included in the ICANN Dashboard. The ICANN Dashboard is under development, using input received on the Five-year Operating Plan, and its future implementation is expected to allow for the possibility to evaluate the progress and performance of the organization against the Strategic and Operating plans.

Pursuant to the Registrar Accreditation Agreement, registrar fees are set annually by ICANN's Board of Directors. "Variable" registrar fees must also be approved by registrars accounting for at least 2/3 of fees paid. Registry fees are established in registry agreements and are not subject to annual approval, nor the same potential uncertainty as registrar fees.

As part of the roll-out of the 2009 RAA, registrars were offered an incentive in the form of a 10% discount in variable fees, to adopt the new form of 2009 RAA early. This discount was described in the FY10 ICANN Operating Plan and Budget that was posted for public comment at <https://www.icann.org/resources/pages/draft-opplan-budget-2009-05-17-en>. No new financial incentives were created for the 2013 RAA; however, the discount applicable to registrars on the 2009 RAA was extended

to registrars on the 2013 RAA, in order to avoid creating a disincentive to adopting the new form of agreement.

The registry agreement provides for the opportunity to review certain provisions, including the fee structure, on an annual basis. As discussions relative to the registry agreement are currently on-going, questions or requests on the fee structure should be raised with ICANN staff, including on the subject of the minimum fixed fee and IDN-related fees mentioned in the comment.

## 2. Headcount/ Personnel costs

**2.1 Comment from ccNSO SOP WG:** Operating Expenses - We are concerned to note an additional \$2m costs as a result of 16 new hires during FY16, as being inconsistent with the ICANN President's announcement of a hiring freeze.

**Response:** For clarification, the comment made by the President and CEO is referring to a general growth of resources at ICANN to be slowed to a normalized turnover. There is no "hiring freeze" at ICANN, but simply targeted resource augmentation or replacement as required by specific needs, or as a result of positions becoming available. Please refer to the response to comment 2.2 for additional information.

**2.2 Comment from Business Constituency (BC):** On Staff BC notes the projected reduction in staff in the new gTLD division in FY16 and the corresponding reduction in personnel cost. However, ICANN Operations section is projected to board more than 20 new staff members in FY16 (based on Headcount – 3---Year Overview, p. 25 and not 16 as indicated on p. 13), a 7.3% increase. We would like to know the gaps the potential staff members are to fill considering expectation that new staff engagement will pale in FY16. At the same time, explanation may be necessary in the document to justify the increase.

**Response:** As planned, the general growth of resources at ICANN has been slowed to a normalized turnover. In FY16, there will be targeted resource augmentation (16 positions) as required by needs in specific areas. In addition there will be resources growth (7 positions) in support of the Hardening critical IT infrastructure initiative.

|                                      |           |
|--------------------------------------|-----------|
| <b>Baseline</b>                      |           |
| Compliance & Safeguards              | 1         |
| Global Domains Division              | 5         |
| Governance support                   | 2         |
| GSE, Meetings & Gov. Engagement      | 1         |
| IT & Cyber Security                  | 4         |
| Public Responsibility                | 2         |
| Strategic Communications             | 1         |
| <b>Baseline Total</b>                | <b>16</b> |
| <b>Initiatives</b>                   |           |
| Hardening critical IT infrastructure | 7         |
| <b>Initiatives Total</b>             | <b>7</b>  |
| <b>Grand Total</b>                   | <b>23</b> |

## 3. Capital Expenses/Real Estate

**3.1 Comment from ccNSO SOP WG:** Capital Expenses Under real estate, we see expenses relating to the Singapore office relocation and construction. An office relocation that takes place in such a short time frame after the office was set up suggests a lack of proper initial, long-term planning. Following ICANN hub and regional presence expansion over the last few years it might be desirable to develop an assessment of the added value and costs associated to a similar office structure, including an assessment of the possible ICANN

exposure to multiple legislation liabilities.

**Response:** ICANN's strategy in establishing hub offices has been, once the city/country had been identified, (i) to review the potential impact of the local regulation on ICANN's activities, to avoid unwanted consequences, (ii) to identify a temporary office solution, with flexible space features and all-inclusive office services (reception, security, copiers,...), in order to allow for a flexible ramp up and adjustment to the local environment, as well as a confirmation of the possibility for the organization to pursue the plan to establish a hub. Once this confirmation has happened, ICANN identifies a longer term office solution, with adequately dimensioned space, in a cost-effective environment.

The Singapore office relocation and construction referred to in the comment corresponds to the second step in the above described model of hub establishment, and is a purposeful relocation, now that the Singapore hub plans have confirmed feasibility and long term space requirements.

ICANN hubs are critical to ICANN globalization strategy and outreach to stakeholders in all regions. The outreach activities carried out in the Asia/Pacific region since the Singapore hub opened in August 2013 have allowed to demonstrate the value of a local presence, which allows to engage with new stakeholders and leverage local existing ICANN stakeholders like country code operators. The ICANN Dashboard exercise is expected to help provide metrics to help measure such value.

#### 4. New gTLD Program

**4.1 Comment from ccNSO SOP WG:** Initiatives - With reference to the possible costs of the next round of new gTLD's, we read that the expenses relate to "internal personnel time to organize the next round". We are not aware of the approval of any next round and would like this to be clarified.

**Response:** An allocation of New gTLD Program personnel time is for quantitative and qualitative analysis of the implementation of the 2012 application round. This is primarily intended to support the various reviews of the Program, but will also serve as documentation of internal knowledge and experience to be applied in building future rounds. It is uncertain at this stage how much of the intended FY16 work can will relate to the preparation of the next new gTLD round. As a result, Staff has included a placeholder envelop, mainly related to staff's time, on this subject.

Regarding approval of a next round, the Board has previously committed to a future application round and directed staff to continue working with the community to address the necessary prerequisites:  
<https://www.icann.org/resources/board-material/resolutions-2012-02-07-en#4>.

**4.2 Comments from IPC:** Pp. 19-23, New gTLD Program Generally: ICANN has stated that approximately 1/3 of the total fee (\$60,000) for each new gTLD application is attributable to a risk reserve to defray the costs of expected litigation. See ICANN's Response to Rep. Greg Walden's Letter to ICANN, Jan. 20, 2012, <http://www.icann.org/en/correspondence/pritz-to-walden-20jan12-en.pdf>. There does not seem to be any reference to such a reserve in this budget even though ICANN is currently embroiled in various Requests for Reconsideration, CEP processes and IRP proceedings relating to the New gTLD Program, any one of which could lead to significant litigation costs. How is this reserve now being accounted for?

**Response:** The New gTLD Program was designed to be funded on a cost-recovery basis. When program costs were first estimated in 2008, the New gTLD Application Fee was determined to cover three categories of costs: the repayment of Historical costs; Application Processing costs; and Hard-to-predict costs. In order to define a total application fee, each of these costs categories was estimated, added to each other and the total was then divided by a theoretical number of applications (500 applications is the number that was used then). A total application fee of \$185,000 per application was then determined.

Though three different purposes and cost types were taken into account for the determination of the fee

amount, the \$185,000 fee was set up as the single application fee collected from the applicants. The application fees collected did not result in the creation of independently managed funds or reserves for each type of cost.

In the Draft FY16 Operating Plan & Budget, page 21 provides for the overview of the fees collected and costs incurred and planned, as well as the remaining funds available: (i) to pay for the remaining evaluation costs, and (ii) to pay for hard-to-predict costs.

The hard-to-predict costs were defined as: uncertain costs and costs that are harder to predict, including risks, include unanticipated costs such as variations between estimates and actual costs incurred. See below further details on the description of Hard-to-predict costs.

Effectively, the funds remaining, as determined on page 21 of the Draft FY16 Operating plan & Budget, amount to \$89.3m available to cover for future Hard-to-predicts costs, including the costs of possible litigation proceedings should any occur.

The document referenced below contains the type of costs considered as hard-to-predict:

<https://archive.icann.org/en/topics/new-gtlds/cost-considerations-04oct09-en.pdf>

- What would happen if many more or many fewer applications were received than anticipated?
- How simple or complex will the average application be (dictating how many process steps must be executed for each application)?
- Have expected fees by outside consultants been estimated correctly?
- Are the time estimates for each task accurate?
- What happens if additional tasks are required?
- Have expenses for support functions such as information technology systems, legal support, contract support, and the like been fully identified?
- Will additional external costs be required to shore up defense against unanticipated events?

**4.3 Comment from RySG:** The RySG has the following questions about the New gTLD Financial Summary beginning on page 17:

- Where is the money that was set aside for litigation risks? (\$60K / application resulted in a total amount of over \$100M.)
- Is the current best guess that there will be a surplus of \$89.3M excluding litigation risk funds and last resort auction funds?

**Response:** Please see response to comment 4.2.

## 5. Accountability Process

**5.1 Comment from ccNSO SOP WG:** Risks & Opportunities Risks regarding all the new accountability process of ICANN and also the IANA Transition should be added to this section.

**Response:** Comments have been added in this section to make the risks and opportunities on these matters more explicit and visible. The comments are reflected in the next version of the FY16 Operating Plan and Budget to be submitted for Board approval.

**5.2 Comment from IPC:** To ensure that the Board and Staff remain accountable to the community, the IPC believes that the community should explore a challenge mechanism whereby the GNSO Council, with sufficient votes, could adjust or eliminate certain line items which it believes are either contrary to public interest or are either over or underfunded.

**Response:** Staff will support the process of evaluation and definition referred to above that the community will determine to conduct on this subject. In the current circumstances in which ICANN operates, a budget-related decision is under the authority of the CEO and the budget requires Board approval.

It is reasonable to assume that any such mechanism would primarily be based on a model of cooperation between the Community members (stakeholders, staff and Board) to address concerns and possible objections to certain line items and work to reduce or eliminate these concerns before resorting to challenge or escalation.

## 6. Evolve and further globalize ICANN

**6.1 Comment from ccNSO SOP WG:** In spite of previous suggestion by the SOP WG – Goals 1.1 and 1.2 remain quite similar without precisely stated distinctions. Also portfolios covered are mainly similar. Suggestions are to group them or to make them more distinctive.

**Response:** Goals 1.1 and 1.2 are related and are grouped together as this primarily covers the work of ICANN's Global Stakeholder Engagement and Communications teams. The first goal (1.1) covers the globalization and regionalization of ICANN functions and communications. The second goal (1.2) covers the activity in engaging with the global community of stakeholders (reflecting the current community as well as potential other stakeholders that may become involved as a result of direct engagement).

**6.2 Comment from ccNSO SOP WG:** With reference to “Creating a stakeholder engagement index”, the operating plan should provide a more detailed explanation of the index (i.e. its structure - there is only an explanation about a baseline of current participation levels in several programs) and interdependence of several factors (programs). Generally, there is some confusion as to whether there is referral to a single comprehensive index or a group of specific indices for each program.

**Response:** The description of the Stakeholder Engagement Index covers a range of activity representing global stakeholder engagement as a whole, including the Fellowship program, Language Services, ICANN Meetings, participation of newcomers and their stakeholder journey into ICANN, regional participation in SO/AC groups, and participation by regional and functional area. This is a group of measures that provide a comprehensive view into stakeholder engagement at ICANN. Further details will be provided as part of the communication of a first draft of the complete index once available.

**6.3 Comment from ccNSO SOP WG:** On page 31, “Measuring the number of regional and functional engagement plans” is a weak KPI because it has to measure a level of progress of planning processes and plans with several lap times and to compare it with expectations. The SOP WG already noted that there should be regional bottom-up initiatives which should be taken into account, both quantitatively and qualitatively. Satisfaction surveys of those impacted by the initiatives might help their evaluation.

**Response:** The addition of satisfaction surveys will be considered into the measurement of the implementation of regional and functional engagement plans. Regional bottom-up inputs should be taken into account when reviewing the effectiveness of these plans.

**6.4 Comment from ccNSO SOP WG:** Under 1.2.1 on page 32, we would appreciate to receive clarification on the meaning of the “set of integrated digital tools”.

**Response:** The description of "set of digital tools" relates to the mechanisms for communicating and engaging with ICANN community stakeholders and the wider Internet community interested in ICANN activities. These may be improvements to existing web tools, new platforms or websites for enabling engagement and collaboration with stakeholders.

**6.5 Comment from ccNSO SOP WG:** The measurements for the goal 1.3 seem to be insufficient. Moreover, they should be referring to targets which we were not able to identify. The structure of the "quality of service index" should also be further explained.

**Response:** We agree that the measurement of the goal should be referring to target. Targets will be identified after a baseline has been collected for the measurements described in the quality of service index; and further detail will be provided to explain its structure once available.

## 7. Language Services

**7.1 Comment from ccNSO SOP WG:** Concerning the Language Services as described under 1.1.3, the description should contain a list of (potentially) available languages.

**Response:** This comment is noted. The ICANN Language Services Department has a project led by the ICANN Asia Pacific team in Singapore to have material translated into Korean and Japanese to enhance communication between regional stakeholders, in addition to the languages currently supported (^ UN languages plus Portuguese). ICANN will be working with the community to meet needs for the translation of material into languages not officially supported by ICANN, and to provide translation into other languages when needed.

## 8. Operating Costs Increase

**8.1 Comment from ccNSO SOP WG:** 5.2 Statement of Activities - Total ICANN - We note with concern an increase of 23.8% for travel & meetings costs, which appears to be mainly attributed to the change of location for ICANN 52. A further breakdown of the substantive costs for this cost center would be helpful to inform further comment. Furthermore, we would like to underline the discrepancy between ICANN President's public statements regarding staff hiring and the expected 15.9% increase in Personnel costs.

**Response:** ICANN Ops' baseline (excluding initiatives) travel and meetings expense increases \$2.7M (21.1%) to \$15.4M in FY16. This increase is primarily driven by a \$1.2M increase in constituent and stakeholder travel. The remaining increase is due to: (i) travel in support of strategic reviews in FY16; (ii) the full year travel costs for staff hired in FY15; (iii) travel for new positions to be hired in FY16; and (iv) inflationary increases.

ICANN has a strong commitment to supporting the participation of community members through the funding of travel to ICANN Public Meetings and other important events throughout the year. Increases in the constituency travel support budget from FY15 to FY16 reflect an improved understanding of the actual costs of all supported travelers for the FY16 ICANN Public Meetings. Moreover, the total number of supported travelers has increased substantially for FY16 as reflected in the addition to the core budget of travel support for the GAC, RSSAC and Registries Stakeholder Group that had previously been covered by the SO/ AC additional budget requests.

For clarification, the comment made by the President and CEO is referring to a general growth of resources at ICANN to be slowed to a normalized turnover. There is no "hiring freeze" at ICANN, but simply targeted resource augmentation or replacement as required by specific needs, or as a result of positions becoming available.

## 9. Five-year operating plan

**9.1 Comment from IPC:** The timeline (p. 5 and many other iterations) calls for a 5-year operating plan and budget to be approved in April, which is prior to the close of the comment deadline on the FY16 Operating Plan & Budget (FY16 Budget"). However, the 5-year operating plan was not approved by the Board until just before the end of the comment period on the FY16 Budget (the resolution of approval, at <https://www.icann.org/resources/board-material/resolutions-2015-04-26-en#2.f>, was disseminated April 29), and as of the time of this submission, it does not appear that the final text of the 5-year operating plan has been posted by ICANN. Since the IPC (and others) raised numerous concerns and questions about the 5-year operating plan (the IPC filed two sets of comments, see <http://forum.icann.org/lists/comments-op-budget-2016-2020-11nov14/msg00002.html>, <http://forum.icann.org/lists/comments-op-budget-2016-2020-11nov14/msg00001.html>), we ask that the comment period on the FY16 Budget be re-opened (or extended) so that we can see how our concerns were addressed. This request is entirely consistent with ICANN's stated position that the FY16 Budget will be "informed by" the 5-year plan. (See p. 26.)

**Response:** Thank you for your comments. ICANN's Planning Process cycle has a threefold approach encompassing a Strategic Plan, a Five-Year Operating Plan, and an Annual Operating Plan & Budget.

Fortunately we did get extensive community comments on the first issue of the Five-Year Operating Plan, which were analyzed, shared at ICANN 52 and took them into account in developing the FY16 Operating Plan and Budget for the Board's consideration to adopt. We will continue to review and refine the Planning Process going forward.

## 10. Initiatives

**10.1 Comment from IPC:** Pp. 15-17: The "initiative" on "defining public interest for ICANN" is quite important and is being allocated considerable resources (\$2.5 million), but the vast majority of that is for staff and "professional services" (which should be clarified; we assume these are outside consultant fees). A more detailed plan is needed to ensure that this does not become a staff-driven and consultant-dominated exercise, and that it involves all sectors of the community. The last sentence on p. 17 indicates that neither activities nor funding have yet been identified or allocated. This is concerning if ICANN intends to devote considerable resources to this initiative in the fiscal year that begins in two months.

**Response:** The description of FY16 Initiative "Public Responsibility" was worded as public "interest" rather than "responsibility". The description has since been updated with extensive language which covers this Initiative's focus for FY16. In addition, the following definition of the initiative has been added to the FY16 Operating Plan and Budget.

"Building on the preliminary work over the past year which streamlined and formalized ICANN's approach to public responsibility, this Initiative will serve as a home for new projects and programs aimed at incubating ideas for broadening and supporting the community through specific and measurable tracks. FY16 initial focus areas include: supporting the next generation; supporting education and academic outreach; and participation in global Internet cooperation and development. Programs that will be strengthened and built under these focus areas include, but are not limited to: NextGen@ICANN, remote hubs at ICANN meetings, Fellowship Program, Online Learning, collaborations with other actors in the Internet ecosystem, and the Newcomer program to name a few. For further details, please see 5.3. Focus areas will be reviewed yearly, based on community need and as identified by the regional plans."

**10.2 Comment from ISPCP:** 1.5 (P. 15) Initiatives in connection with 1.6 (P. 18) Risks & Opportunities: IANA

transition related activities are extremely high budgeted with \$7 M plus a high risk of uncertainty. It is unclear what triggers this uncertainty as well as in which direction.

**Response:** The upcoming FY16 will see, as FY15 has, very much activity on the USG Stewardship transition, and its consequences on ICANN's accountability mechanisms, the IANA functions stewardship, and possibly their operation. At the time of finalization of the FY16 Operating Plan and Budget, there is much work on-going on all aspects, and proposals are being formulated for the future, and have not been adopted as of yet. The expected timing of next steps, including the approval of the accountability and stewardship mechanisms and their implementation dates are not known.

On this basis, the FY16 Operating Plan and Budget included in this document:

- Contains funding for the continuation of the USG Stewardship transition initiative until completion, and the implementation of the approved post-transition mechanisms. This funding was estimated at a high level, without specific information on timing and nature of activities required and represents a placeholder or envelope. Because of this lack of information, the costs effectively incurred could be either lower or higher than estimated.
- Does not reflect any assumption on the possible impacts of implementing the accountability and stewardship mechanisms on ICANN and its Community, which remain unknown at this stage. ICANN acknowledges that these impacts could be significant on ICANN's operations and resources, and such impacts should be evaluated as soon as sufficient information is available to do so, including possible future changes to the Operating plan and Budget included in this document, after it has been approved by the ICANN Board.

**10.3 Comment from RySG:** From the table in section 1.1 on page 7 we note the following: increases of 10% and 14.8% are projected in revenue and expenses respectively for FY16. As we have communicated in previous budget comment periods, we are concerned about current year expenses exceeding revenue. We believe that this is even more of a concern when it is a recurring pattern over multiple years. From page 15, we understand that the excess expenses for FY16 (\$12.8M) will come from the reserve fund and we note that there is more than sufficient funds to cover the excess in FY16, but we do not believe that such deficit spending is a sound practice. We note in Table 3 on page 10 that the best estimate of total FY16 revenue (\$13.4M) was calculate by taking the average of the high and low revenue estimates. Not knowing whether this approach was used in previous years and, if it was, how successful it was, it is difficult to assess whether it is reasonable. Considering the fact that original revenue estimates for FY15 had to be revised downward significantly, we definitely recommend a Conservative approach regarding the initiative titled 'USG stewardship transition (pre and post IANA contract)' on pages 14 & 15. The RySG understands that this initiative includes the ICANN accountability effort being worked by the CCWG Accountability as well as other efforts in addition to the IANA stewardship transition such as the AOC. We also understand that no substantive recommendations have yet been made for the transition or the accountability initiatives, so it is clear that this could be little more than a very rough estimate. At the same time, based on the current directions of both the CWG Stewardship and the CCWG Accountability, we believe that this budget item should be monitored closely as more details become known to ensure that sufficient funds are available to implement the final recommendations of both efforts. In this regard we agree with the classification of the Uncertainty of the USG Transition Expenses as high risk. (See our comments below for Goal 5.2 Portfolio 5.2.7.)

**Response:** For clarity, the expenses-related figures mentioned in this comment correspond to the ICANN Operations expenses of the baseline and initiatives, as indicated on page 8 (which exclude any new gTLD related impacts).

ICANN has not created a deficit over the past 10 years, nor has planned for a deficit until its budget for FY15,

where a deficit corresponding to the expenses expected to be incurred on the USG Stewardship transition project for \$7m. The Draft FY16 Operating Plan and Budget proposed for comments, as noted, also plans for a deficit also primarily due to the continuing costs of the USG Stewardship transition project, as well as two additional initiatives (Public Responsibility, and IT infrastructure improvements). These initiatives are considered unplanned, exceptional and unavoidable activities, which costs are, as a result, expected to be covered by the Reserve Funds since the revenue structure by which ICANN is funded was not designed to bear such costs.

ICANN acknowledges that the recourse to deficits covered by the Reserve Fund are not desirable or sustainable. ICANN is confident however that the exceptional nature of the costs driving the planned deficits in FY15 and FY16 reduces the risks that further deficits occur beyond FY16.

ICANN acknowledges and agrees that the USG Stewardship transition costs included in the corresponding initiative in the FY16 budget draft are estimates, for the reasons indicated in the comment. By lack of more visibility and precise information, ICANN has chosen to incorporate an estimated envelope of spend to ensure that this significant expense, even without certainty of the specific details, is taken into account for planning and transparency purposes.

ICANN also acknowledges and agrees that close monitoring of the expenses, including of future expenses required by the implementation of the recommendations from the ICG is required. To this effect, ICANN plans to continue accounting for the costs of this project in a segregated fashion and will provide recurring expense reporting and updates.

Separately, the comment above notes that the FY16 revenue best estimate was determined by averaging the Low and High scenarios. This is not the case. The best estimate revenue was determined for each revenue component by estimating the most likely position of each of its parameters (number of transactions, number of registries or registrars, etc...). The High and Low scenarios were then developed by making a few assumptions vary to determine the impact of such variances on the revenue value.

## 11. Raising stakeholder awareness of ICANN worldwide

**11.1 Comment from IPC:** P. 30, \$3.4 million for "raising stakeholder awareness of ICANN worldwide": This is almost 1/2 of the entire allocation for Goal 1.1. How will this be coordinated with entities within ICANN that represent certain sectors of "stakeholders," e.g., intellectual property interests? To date, ICANN's record of such coordination needs significant improvement.

**Response:** Raising stakeholder awareness of ICANN worldwide" is an effort utilizing all resources within ICANN's Communications team in collaboration with other teams inside of ICANN such as the GSE team, as well as with the community.

Recently:

Regional Vice Presidents (RVPs) have coordinated the development of regional strategy plans, including stakeholder awareness plans, with their community stakeholders

Communications staff closely coordinate with the RVPs, ICANN's Speakers Bureau, and regional journalists to raise ICANN awareness through media reporting and event support.

ICANN, in coordination with the Policy Development team and appropriate community groups, has partnered with and provided communications support for SO/AC groups in a variety of aspects to raise stakeholder

awareness of ICANN worldwide. Some non-exhaustive examples include:

GNSO chair video messages; GNSO Review Communications and awareness raising; GNSO introductory videos to be shot in BA; ALAC issues profiled through video interviews; Security and Stability Advisory Committee (SSAC) introductions through graphics and video interviews; SSAC working group profiling SAC 67 & 68; Nominating Committee (NomCom) - The year ahead through video interviews with former; current and future chairs; NRO profile - Interview with Axel Pawlik (in production); RRSAC - new leadership interviews; Created At-Large Business Card; Creating At-Large Flyer (in-progress); Creating ISPCP one-pager (in-progress); Creating ISPCP newsletter (in-progress); Created Logos: Business Constituency; Not-for-Profit Operational Concerns Constituency (NPOC), Non Commercial Users Constituency (NCUC), Generic Names Supporting Organization (GNSO), Intellectual Property Constituency (IPC), Non Commercial Stakeholder Group (NCSG), Created GNSO Business Cards; Created SSAC Slides; NPOC printing for ICANN53; Business Constituency Printing for ICANN53; At-Large business cards; Social media best practice and collaboration; Slideshare – easy access to ICANN content.

## 12. Bring ICANN to the world by creating a balanced and proactive approach to regional engagement with stakeholders.

**12.1 Comment from IPC:** P. 32, \$7.4 million for "integrated digital tools to inform and enable engagement and collaboration with ICANN stakeholders": Since this is by far the largest single allocation under Objective 1, much bigger than the entire budget (\$6.5 million) for supporting policy development and all policy-related activities (pp. 32-33), much more detail is needed about what these tools are, what they are intended to do, and what role current active stakeholders will have in their design, deployment, etc. Importantly, the IPC would like to see transparency in the process of bidding and contracting for these tools, given ICANN's patchy history at selecting vendors whose systems suffer various embarrassing "glitches" and/or the content of whose contracts - to this day - remain a secret.

**Response:** The budget figure of \$7.4 million is a combination of personnel, travel, professional services and administrative costs across several ICANN departments and is not limited to integrated digital tools for informing and engaging stakeholders. This figure is associated with the portfolio "broadcast and engage with global stakeholders" and includes work under Communications and Global Stakeholder Engagement as a whole. This covers regional areas (Asia, Oceania, Africa, Middle East, Eastern Europe and Central Asia, Europe, Latin America and the Caribbean, and North America) and functional areas for Civil Society engagement, Global Business Engagement, Technical Community Engagement and Government Engagement.

## 13. Policy/ PDP/ SO-AC Engagement

**13.1 Comment from IPC:** P. 33: The IPC previously questioned the metrics that will be used regarding supporting the policy development process. These concerns were raised in our comments in December 2014 on the 5-year operating plan -- to which we have not received substantive responses. See <http://forum.icann.org/lists/comments-op-budget-2016-2020-11nov14/msg00001.html>. For example, simply counting the number of participants in WGs or the number of public comments received equates lurkers and "+1 addicts" with active, constructive contributors. The reference to a "quality of service index" is ambiguous but welcomed if this includes qualitative evaluation components in this metric. More detail and explanation is needed.

**Response:** The IPC asks important questions that have implications for both staff and community record keeping. Policy development metrics are still underdevelopment as more information is learned and as benchmarks are being developed to accurately measure the correct degree of community participation that contributes to legitimate policy development. The dashboard effort creates opportunities to discuss what active participation means in various working groups and among all ICANN's activities. Staff has started with

trying to get an accurate measurement of the size of ICANN's various communities that contribute to policy development and has embarked on an effort to gauge five main "pillars" of community including participation, representation, activity, productivity and impact. Staff has added language to the plan reflecting this focus. Percentage as well as absolute numbers will be an important component of metrics and benchmarks that will help the entire community gauge what active and robust participation looks like in the multistakeholder process at ICANN. Staff is also considering the use of annual survey instruments to track community views of service quality.

**13.2 Comment from Business Constituency (BC):** On Next Generation Directory Services there does not appear to be a line item allocated to the PDP for the Next Generation Directory Services recommended by the Board. To be successful this PDP will require additional resources, which may include; funding for a consultant to assist the working group, face to face meetings and ability to request expert advice. Due to the broad nature of this PDP a paid facilitator may be needed to ensure the work progresses. The BC recommends a separate line item and funding for this specific initiative.

**Response:** Regarding the first part of the BC's comment, the rationale accompanying the Board resolution on Next Generation Directory services (Resolution No. 2015.04.26.20) provided the following language ... "The initiation of focused work on WHOIS and the creation of policies to support the next generation of registration directory services are expected to have an impact on financial resources as the research and work progresses. Due to the expected complexity of this PDP, there is a potential that this PDP may have higher resource needs than other PDPs, though the full extent of those resource needs are not fully understood, particularly as to the scope of those resources in comparison to the resources proposed for allocation within the upcoming fiscal year for this effort. The Board commits to reviewing staff's assessment of resources for the conduct of this PDP (after there is a plan and schedule developed) with a view towards providing appropriate resourcing for the conduct of this PDP. Regarding the second part of the BC comment/recommendation, it should be noted that the Strategic Initiatives department has budgeted \$100K for Next Generation PDP (project ID 11913). This was included under:

- Ø Objective 2-Support a healthy, stable and resilient unique identifier ecosystem
  - o Goal 2.2-Proactively plan for changes in the use of unique identifiers, and develop technology roadmaps to help guide ICANN activities
  - § Portfolio 2.2.1 WHOIS Core Function/Service & Improvement Evolution. The Policy Development Support team has also noted the importance of this project and identified a specific line item for this activity with some basic consultant support to be made available to support preliminary work in this area.

**13.3 Comment from ALAC:** 1 The ALAC is satisfied with the Budget proposal as a whole, but has one specific item of concern, related to the evolution of support for ICANN Policy Development. Both the GNSO and the ALAC's activities are essentially funded under the ICANN Policy budget. Policy Development is a Core activity at ICANN. It is this Multistakeholder Policy Development that differentiates ICANN from any other organization. The overall budget allocated to Policy Development and supporting the SO/ACs, including constituency travel support, is about 11.4 million US Dollars, which is surprisingly less than 10% of total budget for a Core Activity and Key differentiation factor. The ALAC believes the growth of this budget to be too low. This concern translates directly to concerns about staffing levels. The budget indicates that 16 new staff hires are expected for FY16, yet, none of the hires seem to be in Policy Support. The ALAC forecasts a number of new PDPs, review processes, as well as a potential next round of gTLDs which will only serve to increase the demand on already

busy Staff. Its Community of At-Large Structures will soon reach the 200 mark - translating to a need for increased support of its increased activity. The ALAC is concerned that this need to increase FTEs supporting Policy both in the GNSO and in the ALAC is not currently reflected in the budget and may lead to Staff overwork, Community frustration, and a reduction in Community involvement that risks making long-term evolution of the Multistakeholder model unsustainable.

**Response:** The Policy Development Support Team is challenged on an annual basis to deliver consistent and effective support services to the community in an effective and efficient manner. The staff is currently operating with 27 FTEs. As the ICANN budgets have grown over the last several years, the policy team has been able to increase the number of staff to provide support capabilities and engagement services delivered to the SOs and ACs. As policy /advisory development work may likely increase at a more rapid pace than previously, ALAC makes an excellent point about the level of policy staffing in general and for support in other aspects of the Community work -- e.g., implementation of review, new special advisory or cross-community groups. This workload may also require additional policy staffing resources as the SO-AC structures evolve. As a result of the comments submitted by the ALAC and other community groups, plans will be put in place to add two additional full time policy support staff slots to handle the anticipated increase in community workload. Should additional advisory work or implementation of mandated reviews be requested, the policy team will request increased resources to be able address such requirements.

**13.4 Comment from GNSO Council: General Feedback** Data in the table on page 9 of the Draft FY16 Budget By Portfolio and Project ('1.1 Resource Allocation') indicates that in the coming financial year 27 FTEs will support policy development, or around 8% of total FTEs. In a recent GNSO Council information session, David Olive informed the Council that policy staff supports around 150 sessions during each ICANN Meeting, a number that is unlikely to decrease. The budget indicates that 16 new staff hires are expected for FY16, yet none of these seem to be in Policy Support. The Council commends the support that is provided to the GNSO by the policy team, but feels strongly that ICANN management should be mindful of staff not being overextended. With planned initiatives such as the Purpose of gTLD Registration Policy Development Process (PDP) and work on new gTLD Subsequent Rounds, the GNSO Council expects that additional resources are needed and therefore will be made available but we were not able to detect these based on the information provided.

**Response:** The GNSO Council makes an excellent point about the staffing of policy support. The Policy Development Support Team is well aware of the challenges presented by an expected increase in workload. The team currently has 27 staff and supplements that FTE support with the use of a few independent contractors/subject matter experts when necessary. In recent years, the policy team has added staff at various levels to make sure that there is adequate support for the Community work, using the more senior staff to help mentor new staff. As a result of the comments submitted by the GNSO Council and other community groups, plans will be put in place to add two additional full time policy support staff slots to handle the anticipated increase in community workload. Looking ahead, policy development may now be moving into a period of more rapid growth than in the last year or so and, should additional policy work be requested -- a special PDP project or board mandated PDP efforts -- the policy team will request increased resources to be able to address these needs as was done, for example, with the IANA - U.S. Government transition of IANA function and the cross-community working group.

**13.5 Comment from GNSO Council: Evolution of Policy support** - The overall budget allocated to policy development and supporting the SO/ACs, including constituency travel support, is 11.4 million US Dollars as far as the Council could see from the documents that provided -- see attached spreadsheet overview. If this is the

total figure, the Council feels that it represents a comparatively small figure of the overall budget. If there are more funds allocated to SO/AC support, what are they and why are they not more clearly marked in the budget?

**Response:** SO-AC support exists throughout the budget document, but the draft document does not break out functional allocations of funds - see answer to sections 13.7 below.

First, In addition to the 11.4 million of identified SO-AC policy support the community receives there are an extensive shared support infrastructure capabilities that are in the budgets of other departments for SO/AC support (see Section 13.7 below). These other capabilities include extensive IT services (comprising teleconferences, AC Rooms, transcripts and meetings), assistance from the Legal Office, Compliance, GDD and the relationships of consultations as well as communications services (including videos, publications and translations, community online tools such as the Community Wiki, the various SO/AC Web sites, and tools for working groups and constituencies that are being developed). Unfortunately, the present budgeting system does not allow us to break out those costs.

Second, there are also additional funds devoted to SO/AC support that were put in place after the release of the draft budget document. At its 30 April meeting, the ICANN Board of Directors approved a resolution confirming the grant of additional resources to be allocated to SO-AC community special budget requests. The resolution - <https://www.icann.org/resources/board-material/resolutions-2015-04-26-en#2.e> - approved requests totaling \$657,300 to be used for additional community support. Also, in response to community comments regarding the allocation of resources in the budget document, staff has adjusted the draft budget to expand community support by adding two new FY16 FTE positions to the policy development support staff and an additional \$250,000 of professional services funds to manage expected PDP work.

**13.6 Comment from GNSO Council:** Evolution of Policy support - The Table on page 9 of the Draft FY16 Budget By Portfolio and Project '1.1 Resource Allocation', indicates that the budget allocated to SO/AC support has increased from 8.3m USD in FY15 to 10.9m USD in FY16. However, as ascertained from David Olive's information session to the Council, the FY16 includes community travel support, whereas the FY15 budget did not. The Council would like to know what travel support amounted to in FY15 to have a better comparison of these figures. The Council would also encourage ICANN to provide data that allows for easier comparison of similar budget lines across different departments.

**Response:** The Constituency Travel budget for FY16 totals - \$3.2 million. That number in FY15 was \$ 2.1 million. Over the last couple of years, Staff has been able to extend Constituency Travel to support the GNSO Stakeholder Groups and Constituency leaders for attendance at ICANN Public Meetings to help facilitate their individual community operations as well as their contributions to the policy development work of the Council. The staff acknowledges the recommendation to provide future data to allow easier comparison of similar budget lines and will try to effect that improvement in future budgeting efforts.

**13.7. Comment from GNSO Council:** Evolution of Policy support - this budget is part of ICANN's 5-year Strategic Plan. One of the Strategic Plan's objectives is to evolve the policy development process to be more accountable, effective, efficient and inclusive. The Council believes that a budget allocation of 11.4m (less than 10% of the overall budget) is at the lower end of what we expect to see. David Olive informed the GNSO Council that there are other shared support infrastructure capabilities that are in the budgets of other departments, as such a more detailed listing that reflects these figures would be useful.

**Response:** In addition to what is dedicated core policy development support in the proposed FY16 budget, there are an extensive shared support infrastructure capabilities that are in the budgets of other departments for SO/AC support. This includes IT services (comprising teleconferences, AC Rooms, transcripts and meetings), assistance from the Legal team, the Contractual Compliance team, the Global Domains Division (GDD) team, the independent consultations, and communications services (including videos, publications and translations, community online tools such as the Community Wiki, the various SO/AC web sites, and tools for working groups and constituencies that are being developed) as well as the annual special SO/AC budget (\$657,300 allocated in FY16).

**13.8. Comment from GNSO Council:** The Council acknowledges that, in addition to the specific Policy and SO/AC Engagement yearly budget allocation that we are addressing in this comment, the GNSO is also able to apply for additional funding in each Financial Year for particular projects as part of the Special Budget Request process. Indeed, the Council has come to view this additional process as an important resource for GNSO policy work, and has sought to take advantage of the opportunity, as has the various GNSO Stakeholder Groups and Constituencies. Nevertheless, such additional funds are subject to approval on a per-request basis and as such can only supplement the "main" budget that is the primary means of funding ongoing GNSO work.

**Response:** Yes. The current process for special community requests for each budget year was in place for the FY16 planning period. The ICANN Board approved a series of request recommendations at it 26 April 2015 meeting (see Resolution No. 2015.04.26.20 - <https://www.icann.org/resources/board-material/resolutions-2015-04-26-en#2.e>).

**13.9 Comment from ISPCP:** 3.1 (P. 24) Resource Utilization: Are Community Support Requests identical with the SO-AC Special Budget Requests from Feb 2015? Have all requests been accepted?

**Response:** The original FY16 budget draft document provided a \$500,000 placeholder for community special requests for FY16. The final figure approved by the Board of Directors at it 26 April 2015 meeting was \$657,300. The full detail of the FY16 allocation for SO-AC support can be found accompanying Resolution No. 2015.04.26.20 at - <https://www.icann.org/en/system/files/files/community-requests-fy16-28apr15-en.docx>.

**13.10 Comment from RySG:** Goal 2.3 Support the evolution of domain name marketplace to be robust, stable and trusted (pp.40-43).The second paragraph on page 41 says: "We will measure progress towards achieving this goal by developing a Technical Reputation Index. This Index is intended to reflect the trust and confidence of the Internet community in the Domain Name Marketplace." Will the measures be developed with the community as stated in Other places of the operating plan? We think that should be the case and that it should be stated. The description for 'Portfolio 2.3.2 Domain Name Services' on page 41 is "Domain Name Services ongoing Operations and Industry Engagement". This is terribly broad and therefore insufficient. Ongoing operations of what specific domain name services? Regarding Portfolio 2.3.8, is this where any GDD staff "Advisories" would be supported? If so, we don't see any budget allocation. As noted in several conversations with staff, these advisories often result in significant implementation costs for registries that were not anticipated in their own annual budgets. The RySG would appreciate more clarity about these initiatives so we can better plan for them. We have several questions/comments about projects for 'Portfolio 2.3.14 Registry Services' listed in the spreadsheet of project costs that accompanies the Budget document:

- We note that no funds are budgeted for Project 31783 (AROS Maintenance Budget FY16). What happened to AROS? It was an effort that the RySG supported in response to registrars' requests and seemed to be moving ahead for a while but appears to have been dropped with no announcement or explanation.

- No funds are planned for Project 31787 (IGO/INGO Policy Implementation FY16). Recognizing that the task of implementing GNSO policy recommendations for protection of IGO/INGO names is still ongoing, Why is this a zero budget item? Is this covered by Projects? 32062(IGO/INGO Policy Implementation retrofit TMCH & TMDB FY16) and/or 32063(IGO/INGO Policy Implementation IGO TMCH record fees FY16)? That doesn't appear to be the case considering these two projects appear to be restricted to the TMCH.

- \$100K is budgeted for Project 31790 (RSTEP Panel Stipend FY16).

How was this cost estimate determined? Considering the large increase in the number of gTLD registries and the fact that the number of RSEPs has increased significantly, is this amount enough? In fact, ICANN has yet to publish the fees for RSTEPs and/or a cost based justification of those fees.

- No funds are included for Project 31791 (Thick Whois Communication Plan FY16) or for Project 32065(Thick Whois policy implementation FY16). Is it accurate to assume that the Thick Whois Policy will not be implemented in FY16?

- No funds are budgeted for Project 32050 (Authorization Process for Release of Two--Character Labels FY16). Realizing that this is a very hot issue as we approach the end of FY15 and not likely to be fully resolved before FY16 begins, why is this a zero budget item?

- No funds are budgeted for Project 32053 (Registry Services Document Translation FY16). Can we conclude that there is no plan to translate any Registry Services Documents in FY16? We note that there are RySG members who would greatly benefit from translation services.

- No funds are planned for Project 32059 (GDD Portal FY16). We find this alarming considering the problems that have occurred in FY15 with the GDD Portal.

**Response:** In most of these cases, budget figures for projects might have appeared to be zero because either the number was rounded down for display in the table or because resources allocated to projects are shared with other similar or related projects and accounted for there.

The development of a Technical Reputation Index will be a joint effort with the community.

Domain Name Services' Ongoing Operations and Industry Engagement captures a general category of services which either are insignificant from a budgetary perspective, or otherwise are for services which are not anticipated during the budget formulation process.

Advisories arise from an identified need. There were 2 years between each of the last four Advisories. Because of the infrequent occurrence of Advisories, no specific budget has been requested.

AROS project is currently on-hold pending a re-evaluation of its utility and usefulness considering the time lapsed and the state of the industry.

The 31787 project was created in error and will be deleted. The 32062 and 32063 projects represent the proposed budget to implement the IGO/INGO policy. It is anticipated the majority of costs to implement this project will come from retrofitting the TMCH. There is Personnel allocation for these projects.

The budget amount for project 31790 is to pay RSTEP standing panel stipends. The New gTLD Registry Agreement states that RSTEP fees are cost recovery based and shall be invoiced to and recovered from the Registry Operator. There is Personnel allocation for this project.

There is budget allocated for Project 31791 through Personnel allocation. Additional budgets, when & if

necessary, will be funded from Domain Name Services' Ongoing Operations.

There is budget allocated for Project 32050 through Personnel allocation. Additional budgets, when & if necessary, will be funded from Domain Name Services' Ongoing Operations.

There is budget allocated for Project 32053 through Personnel allocation. This project is for the translation of documents that are posted on the registries' pages of icann.org. The actual translation costs are budgeted by the Language Services team.

There is budget allocated for Project 32059 through Personnel allocation. GDD Portal budget (for actual development and operation of the GDD Portal) is in IT and Product Management categories.

#### 14. Evolving Multistakeholder Model

**14.1 Comment from IPC:** P. 34: How exactly will ICANN be spending money to "facilitate the development and publication of academic research on the multi-stakeholder model for DNS coordination, Internet policy development and governance"? Will ICANN be offering research grants? Will ICANN financial support for academic research on itself be disclosed? How will the academic researchers be selected? Will they be drawn from current participants in the ICANN process, who may be tempted to use the funds to advance specific policy initiatives within ICANN, or will they be drawn from outside of the ICANN community, thus running the risk of research that is flawed due to a lack of understanding of the ICANN model by the selected academics? How will ICANN balance and control for those risks in the spending of those funds? How will ICANN ensure that the process is open and transparent?

**Response:** It is anticipated that research will be needed in this area to support multiple objectives and goals in ICANN's Five-Year Strategic Plan, as well as proposals emerging from the community's IANA Functions Transition and Accountability Framework discussions. The details of such research will be identified, and publicized, in the future. We appreciate you highlighting some potential challenges and look forward to future discussions on how to maximize the value of ICANN-supported research.

**14.2 Comment from IPC of the GNSO:** P. 50 et seq.: Some metrics proposed under Goals 4.1 through 4.3 are taken almost verbatim from the 5-year operating plan. The IPC raised concerns about some of these metrics in our December 2014 comments on the 5-year operating plan, to which we have not received substantive responses. See generally <http://forum.icann.org/lists/comments-op-budget-2016-2020-11nov14/msg00001.html>

Specifically:

- "Measuring the number of cooperation agreements or formal recognitions . . . with international organizations . . ." (P. 50) As we asked in December 2014, "the number of MOUs between ICANN and 'international organizations' is certainly countable, but does this metric take into consideration how meaningful any particular MOU might be in practice?" What is ICANN's response?
- Similar questions apply to the metric of "increase in # of partnerships and agreements with respective Internet organizations and regional and national multistakeholder Internet Governance structures . . ." (P. 53). Is this strictly a quantitative measure or does the content of the "partnership and agreement" make a difference?
- "Increase in # of communities (government, private sector, and civil society) willing to have a national

multistakeholder distributed Internet Governance approach” (P. 51). As we asked in December 2014, “Why is the metric ‘willing to have’ rather than ‘having’? Who determines this willingness? Who decides whether a particular nation’s ‘IG structure’ (or the structure a particular stakeholder or government is ‘willing to have’) meets these criteria?” What is ICANN’s response?

**Response:** We are mindful of the criticisms raised about these metrics and are actively working to define additional measures of participation and support for the IG ecosystem. The metrics used in the FY16 operating plan and budget need to roll up to the 5 year plan so the language used in the yearly plans is a reflection of the metrics phased in by year in the five year plan. We are examining ways of measuring engagement as demonstrated by cooperation agreements that recognize the support for the multistakeholder model and the recognition of ICANN's role as well as initiatives undertaken through regional engagement strategies and projects. These would look at the level of activity and support for the agreement and the activity it represents. There is an inherent challenge to trying define a quantitative measure for a qualitative sphere of activity. We are looking at the nature of the relationships - strength and activity – not just the document that is a proxy for that relationship. We used the phrase “willing to have” in order to capture ongoing dialog and activity to create multistakeholder approaches rather than trying to determine a completion or end point. Perhaps a better phrase would be “endorsing a multistakeholder approach” rather than willing to have a multistakeholder approach. On the question of who defines a multistakeholder approach to IG – it is the entity or jurisdiction that decides the approach they will use for IG. We use the word approach rather than structure because some locations have a dedicated structure or organization for IG; others use a multistakeholder process to address IG issues. While different locations define multistakeholder approaches differently we rely on the entities definition rather than substituting ICANN’s definition – but we seek certain common factors – the participation of representatives from multiple stakeholder groups affected by IG - civil society; government; business, etc. in the approach – whether that is in a governance structure or a dialog platform for informing policy development.

**14.3 Comment from RySG:** Goal 4.1 Encourage engagement with the existing Internet governance ecosystem at national, regional and international levels (pp. 50--51). Is the goal to ‘encourage’ or ‘empower’ or both? Note the use of different words in the goal statement in the title and the table. Encouraging and empowering have very different implications.

**Response:** Thank you for your careful reading of the document - encourage should be the word used consistently in the goal language - not empower. We will correct the word in the table to match the word in the title.

**14.4 Comment from RySG:** Goal 5.2 -Promote ethics, transparency and accountability across the ICANN community (pp. 57--59) We have several questions regarding ‘Portfolio 5.2.7 IANA Functions Stewardship Transition & Enhancing ICANN Accountability’ on pages 58 59 of the Budget document and more particularly from the accompanying project cost spreadsheet:

- Is the \$4.7M estimated for Project 27000 (Transition of U.S. Government Stewardship of IANA functions at ICANN) just intended to cover the Stewardship transition costs for FY16 without any of the associated accountability costs that may be incurred?
- What is included in Project 28350 (IANA Transition --General Cost Tracking)? \$100K for cost tracking seems excessive.
- Regarding Project 28351 (Document strengthened relationship with policy and advisory bodies), based on the \$600K estimated cost for all of the elements of this project, what did staff expect to be

needed with regard to strengthening relationships with the IETF, NRO, ccTLD registries and gTLD registries (Is this simply a case of having to develop a draft budget for the transition before any of the details are known? If so, we understand that.)

- Is Project 28352 (Maintain Security and Stability of Implementation of Root Zone Updates) specific to the transition are just a part of ongoing root zone services? In other words, would this project be essentially the same with or without the transition.

**Response:** The resources set aside for the IANA Stewardship Transition are to ensure enough is set aside to cover anticipated and unanticipated needs. As the transition is a new project for ICANN, with many stakeholders and issues involved on its success, it's been described as such in the item. The resources coverage include the community processes for both all aspects of the transition, including the operational community work and support as requested, the ICG, and the Accountability process, as well as any ICANN preparations/staffing and related support. Examples of costs include: translations/travel/independent legal counsel/remote participation/independent secretariat for the ICG, among other things.

## 15. Support the evolution of domain name marketplace to be robust, stable and trusted.

**15.1 Comments from IPC:** P. 41, Technical Reputation Index: As we noted in our comments on the 5-year Operating Plan, some of the metrics ICANN proposes here, while potentially useful, risk confusing ICANN's appropriate role with the activities of a trade association for the domain name registration industry. Stability and reliability of the Domain Name System are ICANN's job; building "trust and confidence of the Internet community in the Domain Name Marketplace" might be, depending on how this broad goal is interpreted; but growing the domain name registration business is not. While knowing total domain name registration figures and rate of second level domain renewals may be useful data, we caution ICANN against any bias toward the view that increases in these figures-both of which could be artificially inflated through registry or registrar behavior that may not be in the public interest-is necessarily a positive indicator, or that a failure to increase them is necessarily a demerit for ICANN. Measuring "number of registrants impacted by registrar termination v. total registrations" could, again, provide some useful data, but if ICANN makes it a goal to put this ratio on a downward trend, then that could be a powerful disincentive for vigorous ICANN compliance activity toward large registrars. ICANN should not assume that there is any necessary correlation between number of domain names under sponsorship and level of compliance with contractual obligations to ICANN. ICANN should continually guard against a "too big to fail" mentality in its contract compliance activities. The IPC has already expressed its concerns with the metric listed as A.4 on page 41. In our comments on the draft 5-year operating plan, <http://forum.icann.org/lists/comments-op-budget-2016-2020-11nov14/msg00001.html>, we stated, measuring '# of abuse incidents compared to the # of registrants' could be misleading on both ends. This metric could unjustifiably favor registries (or registrars) with high-volume registration models, since a given number of incidents would have comparatively less impact on this ratio. At the same time, unless 'abuse incident' is more specifically defined, the numerator of this ratio could lump together technical, 'paperwork' type violations with truly serious problems. How does ICANN propose to avoid these pitfalls? ICANN did not provide any substantive response to this concern, which we renew here, along with the additional question of how ICANN proposes to measure the incidence of abuse across "all TLDs" including ccTLDs where complaints of such abuse would not go to ICANN?

**Response:** We agree that a single metric if not selected carefully could result in the wrong outcome, that's why an index aggregating a set of metrics in order to measure improvement or degradation over time would be more appropriate. At this point in time, the choice of components of that indicator are being researched and we intend to work with the community to develop a consensus indicator that can provide information as to whether the trust and confidence in the Domain Name Marketplace is getting better or worse. During this work, the input and questions formulated above will be taken into account in the development of the indicator,

and answers can then be provided.

## 16. Contractual Compliance

**16.1 Comments from IPC:** P. 41 Contract compliance: We note that \$5.3 million in total would be devoted to contractual compliance “functions, initiatives and improvements, and consumer safeguards.” (P. 40, summing 2.3.5, .6, and .7). How does this compare to FY15? How does this compare with spend prior to the new gTLD program? Has contract compliance spending scaled up along with the number of registries, or is ICANN spending less per registry now than it did prior to the new gTLD program?

**Response:** Spend prior to the new gTLD program was focused on strengthening the contractual compliance Program and Core Operations while establishing performance measurement and reporting. The percent of growth year over year since FY12 rose by 22%.

In FY16, Contractual Compliance and Consumer Safeguards have a 24% increase in budget. This is to support the increased outreach activities and enforcement of the contractual obligations. The spending scaled up due to the new Registry Agreement additional oversight and enforcement requirements and of course due to the increase cost of operating and auditing based on the number of contracted parties and two additional contracts (2013 RAA and the new Registry Agreement).

**16.2 Comments from IPC:** P. 42: The IPC commends ICANN for recognizing (in portfolio 2.3.6) that resources should be devoted to greater clarity of contractual obligations (“addressing contractual compliance interpretation issues”) and greater transparency in enforcement of those obligations (“improve transparency and reporting of contractual compliance”). Specifically, the IPC has recently raised concerns about Section 3.18.1 of the 2013 RAA and what it does and does not require registrars to do when they receive well-documented complaints of abuse involving the use of domain names that they sponsor carrying out intellectual property infringements. We have also expressed concerns about opaque responses to complaints, such as conclusory dismissals because the “registrar has responded appropriately,” when to the complainant’s knowledge the registrar did not respond at all. If this portfolio is intended to address both these problems, then the IPC strongly supports it, but more detail is needed about how the \$1.1 million allocated to this activity would be expended.

**Response:** As noted on page 43, this portfolio comprises a series of projects focused on the continuous improvement of contractual compliance operations and systems. This includes addressing contractual compliance interpretation issues and working with the ICANN stakeholders to define relevant metrics to improve transparency and reporting of contractual compliance.

The budget allocated to this portfolio will be expended in contractual compliance efforts towards system improvements, contract and policy efforts, as well as departmental process review and improvements.

Please refer to the contractual compliance quarterly and annual update found at this link <https://www.icann.org/resources/compliance-reporting-performance> for an update on the initiatives.

## 17. Support a healthy, stable, and resilient unique identifier ecosystem

**17.1 Comment from ccNSO SOP WG:** We would like to point out that there is no reference to a potential separation of IANA from ICANN. We believe that this objective should at least include a scenario on how this change would be managed.

**Response:** No comment relative to the separation of the IANA functions was added as, at the time of

publication of the draft FY16 Operating plan and Budget, clarity was insufficient on the possible form of the IANA functions operation in the future. At the time of publication of the responses to the public comments submitted, draft proposals are under evaluation and are yet to be finalized and adopted. The FY16 Operating Plan and Budget has been updated to be make more explicit and visible the current uncertainty relative to the IANA functions operation.

**17.2 Comment from ccNSO SOP WG:** On page 35 the 5% year-over-year target to reduce the gap of IPv6 and DNSSEC deployment should be clarified in the text. Furthermore, the KPI on health index needs to explicitly state the health index parameters (Security, stability and resilience/availability);

**Response:** Apologies, but it is unclear what needs to be clarified. The goal is to work with the community to improve IPv6 and DNSSEC deployment, reducing the number of systems that do not deploy those technologies 5% year-over-year.

The point of an index is to aggregate a set of indicators in order to measure improvement or degradation over time. At this point in time, the choice of components of that indicator are being researched and we intend to work with the community to develop a consensus indicator that can provide information as to whether the health of the Internet is getting better or worse. Since we have not yet been able to consult with the community, we cannot explicitly state the health index parameters. As soon as we have consensus within the community as to which parameters are appropriate, we will document them publicly.

**17.3 Comment from ccNSO SOP WG:** On page 38, we read that one of the activities to achieve the goal “Proactively plan for changes in the use of unique identifiers and develop technology roadmaps to help guide ICANN activities” is to “ensure that IANA Department remains fully staffed”. We would appreciate more clarity about it and what are the plans ensure the current IANA organizational chart and staffing in case of possible threats.

**Response:** ICANN reviews on a regular basis the trends of volume and time required to deliver the IANA services and factors in introduction of new projects and requirements. Based on the analysis ICANN adopts annual budgets to maintain adequate staffing to maintain the performance standards that were set in consultation with the various communities.

**17.4 Comment from ccNSO SOP WG:** We positively acknowledge the explanation of the so-called “Technical Reputation Index” on page 39, but we regret to underline the lack of a concrete weighting behind its various components and the way they contribute to the health of such index.

**Response:** Similarly to the Internet Health Index discussed previously, the indicators used for the Technical Reputation Index is an area of ongoing research, the output of which will be brought before the community for input. After receiving and integrating that input, we will document the index and its parameters publicly.

## 18. Advance organizational, technological and operational excellence

**18.1 Comment from ccNSO SOP WG:** Concerning the action to “Refine the FY 2015 model”, we would recommend an explanation of this activity with figures in terms of targets and metrics as well as key ways and priorities. As currently presented, it is too generically formulated.

**Response:** We have amended FY16 Operating Plan and Budget to clarify the activities and intend to update the

five-year Operating Plan during the next planning cycle.

**18.2 Comment from ccNSO SOP WG:** On page 45, we would suggest the EFQM acronym to be explained to improve the text readability. We take this specific point as the chance to recommend the inclusion of an acronym index in the Plan.

**Response:** Thank you for the suggestion regarding acronyms / definitions being included - we will add to the FY16 Operating Plan & Budget document going forward the link to ICANN's online glossary (see link-<https://www.icann.org/resources/pages/glossary-2014-02-03-en>)

EFQM (the European Foundation for Quality Management) (see link <http://www.efqm.org>) We are using the EFQM Excellence Model to help develop a culture of excellence, access good practices, drive innovation and improve results.

**18.3 Comment from ccNSO SOP WG:** Regarding the goal 3.3, we think it should be further detailed as most of the activities, measurements and portfolios are too vague and sometimes, fuzzy to understand the planning behind them.

**Response:** We will continue to enhance the details as we implement the roadmaps.

**18.4 Comment from RySG:** Goal 3.2 Ensure structured coordination of ICANN's technical resources (pp. 46--47) The description for 'Portfolio 3.2.2 IT Infrastructure and Service Scaling' is: "Work towards a top--tier global IT infrastructure performing at 99.999% uptime and have ICANN recognized by the global community as having technical excellence and thought leadership." Because this portfolio is budgeted at \$20.3M it would be helpful to list the projects that are included.

**Response:** Thank you for your comment. The projects and their associated budget allocations under Portfolio 3.2.2 can be found in the excel document located in section III "Relevant Resources" at <https://www.icann.org/public-comments/op-budget-fy16-2015-03-18-en>

## 19. Promote ICANN's role and multistakeholder approach

**19.1 Comment from ccNSO SOP WG:** Goal 4.1: Encourage engagement with the existing Internet Governance ecosystem at national, regional and international levels. The kind of activities and metrics to measure their success is extremely weak and lack of precise measurements. Furthermore, we reiterate that in some cases – and even more strongly in the field of international relations – quality of partnerships rather than the number of MoU can properly weigh their value and consequently, their success.

**Response:** Thank you for the observation. We agree that the measure of the success is not just the existence of a document or agreement representing a relationship but the level of the collaboration and activity that is generated by that relationship. We are actively working to define additional measures of activity and support for the multistakeholder model beyond the signing of agreements. These would include the level of engagement and commitment and the types of activities that are undertaken as a result.

**19.2 Comment from ccNSO SOP WG:** Goal 4.2 – Clarify the role of governments in ICANN and work with them to strengthen their commitment to supporting the global Internet ecosystem. It is acknowledged that ICANN has an interest in encouraging governments to engage with them through the GAC. This can be measured by

the actual number of GAC members participating but that measure does not necessarily reflect the commitment and value of that participation. It is not clear how ICANN intends to try and measure the return of their investment in this area in respect of the value of that increased participation. Furthermore, it is not clear how the only measurement of this goal (“measure the increase in the number of GAC members”) stands against one of the goals activities being “complete baseline determination to map existing entities within the Internet Governance ecosystem [...]”.

This goal has a reasonable level of resource associated with it. What isn’t clear is the scope of the engagement for ICANN and exactly what their role is in respect of government activities.

**Response:** Some of the metrics identified are the first measures for a goal in the FY operating plan with additional measures added as the work progresses in future years in the 5 year plan. We are examining ways of measuring the participation of governments within regions and for types of participation. In this way we hope to capture not only the increase in government engagement within the ICANN MSM as demonstrated by membership within the GAC, but also the level of activity within the membership. Examining the information by event and region also further informs us about the level of engagement and possible barriers to participation.

**19.3 Comment from ccNSO SOP WG:** Goal 4.3 – Participate in the evolution of a global, trusted, inclusive multistakeholder Internet governance ecosystem that addresses Internet issues. It is noted that no resource has been allocated to this goal. Does this mean that this will be achieved as part of another goal or should it be removed?

**Response:** Thank you for your careful reading. The allocation for Goal 4.3 appeared as 0 due to rounding. For more information on the reporting of figures please see the response to comment 26.2.

The document posted for comment was a draft document and as planned (and stated in the introduction section of the draft Operating Plan and Budget) further revisions to projects and allocations have been made since the posting and will be reflected in the adopted operating plan and budget.

**19.4 Comment from ccNSO SOP WG:** Goal 4.4 – Promote role clarity and establish mechanisms to increase trust within the ecosystem rooted in the public interest. The entire goal is kept at very high level with no target and time-designed activities and related metrics. The “Institutional Confidence Index” should be further explained in the text.

**Response:** Thank you for your comment. The Five Year Operating Plan reflects some additional information, including

"Key Performance Indicators (Metrics):

Develop a framework that generates institutional confidence in ICANN and builds trust over time

--Assemble and refine Accountability-related KPIs as a means of measuring ICANN's accountability

--Implement means of measuring long-range progress"

The Institutional Confidence Index is a concept in initial stages of development and additional information will be added when available and included in the community updates on progress dashboards.

## 20. Develop and implement a global public interest framework bounded by ICANN's mission

**20.1 Comment from ccNSO SOP WG:** The entire objective and goals description does not provide a further level of details against what was written in the Strategy Plan 2016-2020.

**Response:** Thank you for your comment. The 5-year plan is mirrored in this FY16 plan as all portfolios will be worked upon this coming financial year. Subsequent financial years will have additional information and focus areas as determined through FY16 work.

**20.2 Comment from ccNSO SOP WG:** Goal 5.1: Act as a steward of the public interest - The KPI for this goal deserves further clarification. It is difficult to understand what is measured, when and by whom.

**Response:** Thank you for your comment on the KPIs for Goal 5.1 in ICANN's Strategic Plan for 2016-2020. As this is related to the additional comment on goal 5.3, we are addressing both together.

Regarding the concern that a clearer explanation is needed on engagement of under-represented countries and communities; currently, the Fellowship Program is solely aimed at facilitating guided participation to selected participants from developing countries. The Fellowship Program (5.3.1) only selects participants from eligible countries as listed in the World Bank classification of low, lower-middle, and upper-middle economies, along with three UN groupings of developing and least developed nations as laid out in the UN Listing of SIDN.

The NextGen@ICANN Program (5.3.2), distinctly, does not base applicant selection on levels of national socioeconomic development, but selects qualified 18-30 year old students from the region of each ICANN Meeting as part of the Development and Public Responsibility Department's efforts to support the next generation.

New KPIs will be added, however, to measure the utilization of ICANN Learn (5.3.3) by the various ICANN regions, paying close attention to its use by underserved regions. Likewise, a KPI will be added to assess the number of external requests for support (5.3.5) received and fulfilled, broken down by region.

In order to address the concern that KPIs do not effectively measure the empowerment and engagement of stakeholders, new KPIs will be added to both the Fellowship Program and the NextGen@ICANN Program to evaluate the experience of participants in regards to personal and professional development, as well as opportunities for networking at the ICANN Meeting. These new indicators will be measured through a survey, administered to NextGen and Fellowship participants at the close of each program to assess the value added to participant experiences. Additionally, a survey will be administered to both Fellowship and NextGen alumni every two years to assess the long-term effects of their engagement experience, as well as to gather information on their work since graduating the program.

Regarding the need for minimum absolute baseline numbers for assessment, the Development and Public Responsibility Department (DPRD) fully agrees that baseline numbers are needed for proper assessment of program growth and impact. However, as the DPRD is a new department, time should be taken to track baseline numbers rather than provide an estimate or generalization of program baselines. Following the recommendation suggested in the comment, mid-term assessments of initiatives will be completed to determine their impact, as well as to establish baseline numbers moving forward.

**20.3 Comment from ccNSO SOP WG:** Goal 5.2: Promote ethics, transparency and accountability across the ICANN community - As underlined in the comments to this goal in the Strategy Plan 2016-2010, the lack of

specific metrics does not help the community to adequately monitor the actions and achievements in this area. As for other goals, the Operating Plan should contain exact figures and not “#” or “%”.

The portfolios include two currently critical processes in the ICANN environment – the IANA Functions Stewardship Transition & Enhancing ICANN Accountability. However, there seems not to be a clear link between the activities for achieving the goal and those listed under the portfolio section.

**Response:** Through the ongoing Enhancing ICANN Accountability work and the NTIA Stewardship Transition, ICANN expects that the enhancements that will come out of these processes will result in additional frameworks from which new metrics can be identified and developed into KPIs. Identifying KPIs and metrics will be an essential part of assuring that the community-developed enhancements are being met. As these enhancements are finalized, ICANN will determine the appropriate corresponding KPIs.

**20.4 Comment from ccNSO SOP WG:** Goal 5.3: Empower current and new stakeholders to fully participate in ICANN activities - As underlined in in the comments to this goal in the Strategy Plan 2016-2010, the goal is very ambitious and therefore, would need to be better explained especially considering that it is aiming to engage “under-represented countries and communities and other underrepresented groups”. Unfortunately, we reiterate our remark that the only KPI-metric available is extremely poor and, again, it misses the fundamental aspect that in many cases the mere number of actively participating stakeholders is not sufficient to measure the effective empowerment and engagement of any stakeholder. Furthermore, the absolute minimum baseline is missing and makes any assessment impossible.

We would also recommend mid-term assessments of each of the initiatives listed under “portfolios” to determine their effective impact.

**Response:** KPIs for Goal 5.3 in ICANN’s Strategic Plan for 2016-2020.

Regarding the concern that a clearer explanation is needed on engagement of under-represented countries and communities; currently, the Fellowship Program is solely aimed at facilitating guided participation to selected participants from developing countries. The Fellowship Program (5.3.1) only selects participants from eligible countries as listed in the World Bank classification of low, lower-middle, and upper-middle economies, along with three UN groupings of developing and least developed nations as laid out in the UN Listing of SIDN.

The NextGen@ICANN Program (5.3.2), distinctly, does not base applicant selection on levels of national socioeconomic development, but selects qualified 18-30 year old students from the region of each ICANN Meeting as part of the Development and Public Responsibility Department’s efforts to support the next generation.

New KPIs will be added, however, to measure the utilization of ICANN Learn (5.3.3) by the various ICANN regions, paying close attention to its use by underserved regions. Likewise, a KPI will be added to assess the number of external requests for support (5.3.5) received and fulfilled, broken down by region in subsequent versions of the dashboard.

In order to address the concern that KPIs do not effectively measure the empowerment and engagement of stakeholders, new KPIs will be added to both the Fellowship Program and the NextGen@ICANN Program to evaluate the experience of participants in regards to personal and professional development, as well as opportunities for networking at the ICANN Meeting. These new indicators will be measured through a survey,

administered to NextGen and Fellowship participants at the close of each program to assess the value added to participant experiences. Additionally, a survey will be administered to both Fellowship and NextGen alumni every two years to assess the long-term effects of their engagement experience, as well as to gather information on their work since graduating the program.

Regarding the need for minimum absolute baseline numbers for assessment, the Development and Public Responsibility Department (DPRD) fully agrees that baseline numbers are needed for proper assessment of program growth and impact. However, as the DPRD is a new department, time should be taken to track baseline numbers rather than provide an estimate or generalization of program baselines. Following the recommendation suggested in the comment, mid-term assessments of initiatives will be completed to determine their impact, as well as to establish baseline numbers moving forward.

## 21. IANA Function

**21.1. Comment from ISPCP:** 4.2 (P.35) Objective 2: IANA Department Operations (2.1.1) plus IANA Product Evolution (2.1.5) are budgeted with \$2.8 M in total. Does this mean that the IANA function(s) if separated from ICANN could be provided with this budget?

**Response:** The USG stewardship transition process is in progress, and drafts proposals on possible future solutions to manage the IANA functions are being formulated and are under public review. The framework under which the IANA functions will be operated in the future will result from this process. There is not, at this time, an agreed-upon structure and model for the operation of the IANA functions that includes a clear funding mechanism.

Currently, the budget estimated by ICANN to operate the IANA functions results from the ICANN planning process in which the IANA department is fully integrated. The resource requirements of this department result from this process, as well as for all other departments of the organization.

ICANN's funding, coming from registrants, registries and registrars is not designated or restricted for specific purposes or use, but to enable ICANN to deliver its mission.

ICANN's funding is currently not designated for specific use that would be more specific than addressing ICANN's mission.

The budget referred into the comment is therefore simply the estimated financial impact of the IANA department activities, and not a segregated, entitled and dedicated amount of funds for the IANA functions.

**21.2. Comment from CWG-Stewardship:** In order for the multistakeholder community to steward the IANA Functions, the CWG Stewardship recommends that (1): 1. The IANA functions Operator's comprehensive costs should be transparent for any future state of the IANA Function. 2. Future Fiscal Year (FY) ICANN Operating Plan & Budgets, and if possible even the FY16 ICANN Operating Plan & Budget, include at a minimum itemization of all IANA operations costs in the FY ICANN Operating Plan & Budget to the project level and below as needed.

(1) The names registries have long requested budget transparency and detail. See for Example the work of the ccNSO SOP.

**Response:** ICANN acknowledges the public's interest for increased visibility and understanding of the IANA

Operations, including its costs.

Though the current ICANN accounting methodology does not lead to producing a full cost of performing functions, such as the IANA functions, ICANN will attempt to replicate an ad hoc cost estimate of the IANA Functions produced earlier in 2015, using the FY16 budget information, and include it in the final FY16 Operating Plan and Budget document.

Should this ad hoc analysis be completed later than the schedule of approval of the FY16 Operating Plan and Budget, ICANN will inform the Board prior to Board approval that this analysis is pending, and will suggest that ICANN publish a supplemental document containing the IANA Functions costs estimate.

Separately, ICANN is evaluating the possibility of producing such information on a recurring basis in the future.

**21.3. Comment from CWG-Stewardship:** The costs of providing the IANA services by ICANN under its agreement with the NTIA are currently not sufficiently separated from other ICANN expenses in the ICANN operating plans and budgets to determine reasonable estimates of projected costs after the IANA stewardship is transferred away from NTIA. The need for clearer itemization and identification of IANA Functions operations costs is consistent with current expectations of the interested and affected parties of the IANA Functions, and the broader community as expressed in ATRT1 and ATRT2, to separate policy development and IANA Functions operations. As a result, the CWG--Stewardship has provided recommendations with regard to the information and level of detail it expects to receive from ICANN in relation to the IANA budget in the future <sup>(2)</sup>.

<sup>(2)</sup> The CWG Stewardship received a breakdown of FY15 IANA operations costs as part of its research in developing the recommendations. The costs breakdown was provided by the ICANN Finance team and is available on the CWG Stewardship Wiki here: <https://community.icann.org/x/2RwnAw>. The costs estimate corresponds to a "fully absorbed" IANA Functions operations cost for ICANN. It therefore reflects the benefit of leveraging economies of scale from ICANN's infrastructure and expertise of other functions.

**Response:** ICANN welcomes the recommendations from the CWG-Stewardship working group and will use this input in carrying out the evaluation referred to in the response to comment 21.2.

**21.4 Comment from CWG-Stewardship:** In addition, the CWG Stewardship recommends three areas of future work that can be addressed once the CWG Stewardship proposal is finalized for SO/AC approval and again after the ICG as approved a proposal for IANA Stewardship Transition:

1. Identification of any existing IANA naming services related cost elements that may not be needed after the IANA Stewardship Transition, if any;
2. Projection of any new cost elements that may be incurred as a result of the IANA Stewardship Transition and in order to provide the ongoing services after the transition.
3. A review of the projected IANA Stewardship Transition costs in the FY16 budget to ensure that there are adequate funds to address significant cost increases if needed to implement the transition plan without unduly impacting other areas of the Budget.

**Response:** ICANN will provide support to address the future work referred to in this comment. At the time of publication of this response to the public comments, ICANN Staff is working on a response to an official request

from the CWG relative to items #1 and #2 in this comment.

**21.5 Comment from RySG:** Goal 4.3 - Participate in the evolution of a global, trusted, inclusive multistakeholder Internet governance ecosystem that addresses Internet issues (pp. 53-54) \$0 is budgeted. Does that mean that ICANN is not going to participate in the IG ecosystem in FY16 (e.g., IGF, ISOC, etc.)? Or is the amount just below \$50,000 and rounded down to the nearest tenth of a million?

**Response:** Thank you for your careful reading. ICANN will be engaged and participate in the IG ecosystem in FY16. The allocation for Goal 4.3 appeared as 0 due to rounding. For more information on the reporting of figures please see the response to comment 26.2.

The document posted for comment was a draft document and as planned (and stated in the introduction section of the draft Operating Plan and Budget) further revisions to projects and allocations have been made since the posting and will be reflected in the adopted operating plan and budget.

## 22. GDD

**22.1. Comment from RySG:** Goal 2.1 Foster and coordinate a healthy, secure, stable, and resilient identifier ecosystem(pp. 35--36). The following metric is proposed: “% of GDD Service Level Targets met across multiple departments including GDD Operations, Customer Service and IANA departments”. We recommend that each of the departments should be measured separately in addition to combined measurements.

**Response:** Both will be available. The portfolio metric will be at the department level and the Goal metric will be at the aggregate level.

## 23. Business Excellence and Business Intelligence

**23.1 Comment from ISPCP:** 4.3 (P. 44) Objective 3: Advance Organizational, Technological and Operational- Excellence: The budget allocated to 3.1.2 Business Excellence and Business Intelligence (\$0.6 M) is by far too low. We urge ICANN to think about professional external advice in this area which may need a budget increase from a professional viewpoint we are convinced that it will pay back in future in multiples. In the FY16 Budget by Portfolio and Project many “projects” are budgeted with \$ 0.0. What does this mean?

**Response:** The internal resources have strengthened over the years of experience with the EFQM implementation in the IANA department, and these resources have been leveraged in the implementation of EFQM for the entire organization. External advice will continue be obtained from EFQM organization and the cost of which is part of the draft budget.

Due to rounding to hundred thousand dollar level, any costs less than \$50,000 are presented as \$0.0 million.

## 24. WHOIS PDP

**24.1 Comment from GNSO Council:** Staffing and outside expertise - Slide 40 of the FY16 Draft Budget and Operating Plan (Section 2.2) indicates the intent to improve the current WHOIS policy, and in doing so, making it consistent with applicable data protection and privacy laws. What, if any, part of the draft budget is allocated to bringing in the required expertise to provide answers to questions on conflicts between WHOIS policies and legal jurisdictions with stricter privacy and data protection laws? The GNSO Council notes that the ICANN Board has, to some extent, addressed this in its latest resolution (<https://www.icann.org/resources/board->

material/resolutions-2015-04-26-en#1.f) stating: "The Board recognizes that additional resources may be needed for the conduct of this unique policy development process. The Board commits to reviewing the GNSO's proposed plan and schedule, as well as Staff's assessment of the resources required to implement this proposed plan, and to supporting appropriate resourcing for the conduct of this PDP." This is somewhat reassuring, however, further clarification, not currently provided in the draft FY16 Operating Plan and Budget would be helpful. We believe that, to be successful, this policy development process will require additional resources. These may include; funding for a consultant to support the working group, face to face meetings and ability to request expert advice. Due to the broad nature of this PDP a paid facilitator may be appropriate to ensure the work progresses. The GNSO recommends a separate line item and funding for this specific initiative.

**Response:** As the GNSO Council noted, the recent 26 April 2015 Board resolution (Resolution No. 2015.04.26.20) addressed this matter. It is expected that when a plan is developed for tackling this substantive and important issue that ICANN will honor the commitment made in resolution to review and resource the plan as developed - see <https://www.icann.org/resources/board-material/resolutions-2015-04-26-en#1.f>. That plan may very well include the resources identified in the Council's comment.

**24.2 Comment from Business Constituency (BC):** On Community work on WHOIS - There are many PDPs working on issues related to WHOIS data currently working in parallel within the community. The BC recommends that sufficient funding be allocated to insure that the recommendations from all of these initiatives have adequate resources to move forward.

**Response:** The Board and staff are very aware of the potential need for substantial resources to be used in pursuing this activity in the next fiscal year. Mechanisms have been put in place to assure that sufficient support is made available at the appropriate time so that the community can address these matters.

## 25. IGF

**25.1. Comment from Business Constituency (BC):** On project 31775 on the FY16 Draft Budget by Portfolio and Project BC recommends that the World Summit on Information Society (WSIS) be mentioned explicitly in the list of works supporting IGF.

**Response:** Thank you for the recommendation. We have added WSIS to the project description so that this activity is explicitly included in the list of work supporting IGF.

## 26. General

**26.1 Comment from ccNSO SOP WG:** We are thankful for the opportunity to comment on the ICANN F16 Operating Plan and Budget. We acknowledge the improvements in the plan presentation and structure against the previous years and we appreciate that many of these working group comments have been taken onboard over the past five years. The level of detail concerning the draft plan is much more accurate and allows our community to better contribute to its refinement. As a matter of fact, it is difficult to make a direct comparison with the current year, and previous years, given the greater detail provided in the FY16 Operating Plan and Budget. Once more, we recommend the current format be used in future to enable easier comparison of the budget and plan against previous years.

When reading the entire Plan, we noticed a lack of consistency throughout it because certain goals and activities seem to be much better designed and defined, while others are only described at high level and hardly fit into an Operating Plan.

As in the previous budget feedback provided by the ccNSO SOP working group, we again note a significant increase in operating expenses of +15.2%, at the same time that revenue is only predicted to grow by 14% overall. This is of particular concern, especially given the potential optimism regarding variable revenues in relation to transaction fees.

Revenue assumptions include a registration volume growth of 2.2% for legacy TLDs and a series of assumptions regarding new TLDs, with a resulting number of 12.5 billable transactions for registrars and 8 million for registries.

As we also stated in 2014, given the current registration trends in the market, we urge ICANN to reduce expenses growth and consider adequate measures to deal with the scenario where revenues are not in line with current projections. Furthermore, we would appreciate to be provided with information regarding the management of reserves to cope not only with the possible challenges in the revenue scenario, but also with contingencies.

Last, but not least, we would like to underline once more the need to include more timeframes for the various activities to be developed, and that is both to facilitate their monitoring by ICANN administrative staff and to increase the transparency to the community ICANN should be serving.

**Response:**

**Paragraphs 1&2:** Thank you for identifying the changes to the ICANN Operating Plan and Budget process that are considered valuable, as this will help continuously improving the information published for transparency and accountability to the public interest.

**Paragraph 3:** Please see responses to comment 1.1 and comment 2.1

**Paragraphs 4&5:** Please see response to comment 1.1

**Paragraph 6:** ICANN is continuing its work to build out a Dashboard. We have set the foundation based on the Strategic Plan and the Five-Year Operating Plan and will continue to build upon it by adding or subtracting metrics/ Key Performance Indicators. We agree with the ongoing need to share with the community ICANN's progress and performance and we continue to do this via the Quarterly Stakeholder Calls and other forums. Please see responses to your specific comments on Goal level KPIs, including timeframes for various activities, which have been included in this document.

**26.2 Comment from IPC:** Where a budget entry shows 0.0" (e.g., portfolio 5.1.2 on "public interest decision making"), does this mean no activity is planned on this topic in FY16? (The same entry recurs on many other portfolios, e.g., 2.3.3, 2.3.4, etc.)

**Response:** While last year's Operating Plan and Budget provided information on selected projects, this year's version includes data on ALL projects to be carried out by the organization during FY16. More and earlier information was produced as a result of an accelerated process that did not allow much time for adjustments along the way. We will continue to improve the quality of our data to ensure projects and portfolios contain appropriate levels of resource allocation.

There are two main causes for projects and portfolios that appear to have no resources applied to them (i.e. \$0.0). The first cause is rounding. By rounding to one decimal after the million, the level of resources allocated to a project or portfolio appear to be \$0 when they are not. The second cause is the continuous evolution of ICANN's set of projects and portfolios during the draft operating plan and budget development process. The list of projects in the Draft FY16 Operating Plan and Budget is a view of ICANN's work at a point in time during the definition phase of the planning process and therefore is very much a work in progress. As planned and stated in the introduction section of the Draft FY16 Operating Plan and Budget, ICANN continues to review and refine

these projects as plans evolve.

**26.3 Comment from IPC:** P. 13: We are glad to see "expansion of contractual compliance" identified as a "priority area" for baseline budget.

**Response:** Contractual Compliance is and will remain a priority area for ICANN. Enforcing the contractual obligations is an integral part to executing Strategic Goal #2 - Support a healthy, stable, and resilient unique identifier ecosystem.

**26.4 Comment from IPC of the GNSO: P. 59, n.1:** The IPC agrees that holding seven organizational reviews in FY16 would be a misallocation of resources and of the mental and physical bandwidth of community participants. "Board and staff" are apparently now deciding which will be undertaken and which will be delayed. What role will the community and entities such as the IPC have in making these decisions? The IPC looks forward to having an opportunity to weigh in on priorities in this area. Also, the footnote refers to a \$1.1 million allocation, but the chart on p. 57 has a \$1.9 million entry for portfolio 5.2.8. Which figure is correct?

**Response:** Proposed Schedule and Process/Operational Improvements for AoC and Organizational Reviews was posted for public comment on 15 May 2015 and will remain open until 2 July 2015. The purpose of this Public Comment posting is to request community feedback on a proposed schedule and process, including operational improvements, for Reviews mandated by the Affirmation of Commitments (AoC Reviews) and the ICANN Bylaws (Organizational Reviews). For more information, please see <https://www.icann.org/public-comments/proposed-aoc-org-reviews-process-2015-05-15-en>.

The budget of \$1.9M reflected on page 57 (and in the FY16 Projects by project spreadsheet) consists of Travel & Meals and Professional Services of \$1.1M and \$0.8 in Personnel expense allocation). The footnote referencing \$1.1M does not include Personnel allocation. - The budget of \$1.9M reflected on page 57 (and in the FY16 Projects by project spreadsheet) consists of Travel & Meals and Professional Services of \$1.1M and \$0.8M in Personnel expense allocation). The footnote referencing \$1.1M does not include Personnel allocation.

**26.5 Comment from Business Constituency (BC):** The BC is pleased that ICANN Finance Team has built upon the experience of the past years and involved the community in early preparation of the Budget, including the stakeholders' retreat in Singapore. This indeed should be sustained.

**Response:** Thank you for identifying the changes to the ICANN Operating Plan and Budget process that are considered valuable, as this will help continuously improving the information published for transparency and accountability to the public interest. ICANN is particularly grateful to all who, at various stages and in numerous ways, provided valuable input on how to improve the process. As a result of their work, the FY16 Operating Plan and Budget process was designed and executed to allow for early input from the community during its development stage. ICANN will continue to improve the process to ensure sufficient time is allotted for interaction with the community.

**26.6 Business Constituency (BC):** 2 On Speakers Bureau - BC recommends that community leaders that are subject matter experts be incorporated into the Speakers Bureau resource base as part of empowering current and new stakeholders to fully participate in ICANN activities (Objective 5).

**Response:** Thank you for the recommendation. The Speakers Bureau continues to be an avenue to provide ICANN and its community's voice into speaking opportunities around the world. We are looking at ways given resources and timings include broader participation in the speaker bureau, particularly in regions/countries

where ICANN needs the additional presence to raise awareness. The pilot program of Community Regional Outreach Pilot Program (CROPP) provides a possible platform. We currently provide recommendations to event organizers on including community members in events they are putting together. We are also using our ICANN Slideshare presence to provide presentations and other speaker content for community members to use in their events.

**26.7 Comment from Business Constituency (BC):** BC wishes to appreciate staff professional diligence on this draft budget, which is quite comprehensive and detailed. The document provides ample guide to year---round monitoring of budget performance expectation.

**Response:** Please see response to comment 26.5

**26.8 Comment from RySG:** Goal 3.1 Ensure ICANN’s long term financial accountability, stability and sustainability (pp. 44–46). As far as we can tell, the issue of cost benefit analysis is not addressed anywhere in this section and we think it should be. The community repeatedly has called for such analysis over the years, and this was a specific recommendation of the ATRT 2 (Rec. #12.2). Furthermore, staff’s plan to deliver financial model enhancements to achieve Key Success Factors within three years seems unaccountably slow. Why is this taking so long?

On page 46 the description of ‘Portfolio 3.1.5 Support Operations ‘says: “Various programs and projects that support functional operations. “This seems extremely inadequate for a budget item of \$22M.

**Response:** Regarding the “cost benefit analysis”, please refer to the comment #1.4 and its response.

Regarding the portfolio 3.1.5 Support Operations: the portfolio contains several projects that are displayed with their costs in the Appendix FY16 Budget by project, pages 15/16. The project with the largest costs total is the Admin Operations with a total cost of \$4.8m, of which \$4m corresponds to the facilities rent and ancillary costs.

**26.9 Comment from RySG:**

It would be very useful to have a complete listing of strategic objectives with their goals, portfolios and projects with the dollar amounts for each. This would give a complete view of total budget in one place and could be accompanied by various charts that would show the relative areas of expenses. The project cost spreadsheet accompanying the Draft Budget could probably be modified to do this. A simpler and possibly preferable way to do this would be to combine all the tables of objectives in Section 4 with the dollar totals for each portfolio. The spreadsheet could then be referred to for further detail at the Project level.

**Response:** Thank you for your comment. With more than 300 projects, listing all of them with their associated budget allocations in the Draft FY16 Operating Plan and Budget document presents challenges with legibility and ease of use. As a result, the budget by project is provided in spreadsheet format. In the future ICANN will explore ways to improve the presentation of the data.

**26.10 Comment from RySG:** We first want to express our strong appreciation for the following: “this year’s version includes data on ALL projects to be carried out by the Organization during FY16.” Prior to the FY15 Budget, costs were only provided down to the Portfolio Level. In the FY15 Budget costs were provided for a

small sampling of projects. As the RySG has noted in the past, for most categories of expenses costs at the Portfolio level are at much too high a level to allow for the community to determine whether or not they are adequately projected. Being able to review costs at the project level is a huge improvement and one we have been asking for the past several years. We also want to express our strong appreciation for this: "this year's draft Operating Plan & Budget is offered to public comment more than seven weeks earlier than last year". We believe that this will be the first time in modern ICANN history that the draft budget is posted for public comment with sufficient lead time to public comments to actually affect the budget before the Board acts on it. This is a very significant step in the budgeting process and we thank ICANN staff and in particular the Finance Team for all the hard work they did to make this happen. Despite these improvements, the RySG also needs to note that once again ICANN's draft Operating Plan and Budget was created without any apparent cost based justification for the various expenses. Each year the community asks ICANN to rationalize its costs, but each budget merely presents projected expenses. Given the improvements in project reporting and opportunity for meaningful public input, we expect ICANN to rationalize its expenses in the FY17 budget. It should begin by engaging contracted parties as soon as possible in a review of the cost justification of all domain name related fees.

**Response:** Thank you for identifying the changes to the ICANN Operating Plan and Budget process that are considered valuable, as this will help continuously improving the information published for transparency and accountability to the public interest.

ICANN extensively improved its planning process over the past two years with the following:

- Creation of a Five-year Strategic Plan, structured with five objectives, resulting from a comprehensive bottom/up multistakeholder input process (approved by the Board on 8 September 2014),
- Creation of a Five-year Operating Plan, translating the five strategic objectives into operational activities, including key success factors, risks and annual milestones, through a structure of 16 goals and 50 portfolios (approved by the Board on 6 April 2015),
- An FY16 Operating Plan and Budget, providing for a breakdown of all ICANN costs by each of the 5 objectives, 16 goals, 50 portfolios, and 300+ projects (by cost nature: Personnel, Travel and Meeting, Professional Services and Administration).

The justification of "why" expenses are incurred (strategic and operational rationale), and "what" expenses are incurred (through 300+ projects) is provided in a clear and transparent fashion as a result of the strategic, operating and budget plans described above.

In addition, the effectiveness of the costs incurred in contributing to the achievement of the objectives is expected to be supported and demonstrated by the monitoring of metrics/KPIs to be included in the ICANN Dashboard. The ICANN Dashboard is under development, using input received on the Five-year Operating Plan, and its future implementation is expected to allow for the possibility to evaluate the progress and performance of the organization against the Strategic and Operating plans.

**26.11 Comment from GNSO Council:** It is noteworthy to mention that this statement, although on behalf of the GNSO Council, has not been submitted following a formal motion and vote, but is being submitted in the absence of any objection from members of the GNSO Council. The GNSO Council is looking forward to receiving a response to the questions and discussing the issues raised in this comment further. Councilors would also

welcome any additional details that can be provided and might help the Community to understand better the proposed budget. Finally, the GNSO Council would like to encourage ICANN to be as proactive as possible in future budget planning, indicating more effectively which portions of the budget directly support the Supporting Organization and Advisory Committees and their important work as the pillars of ICANN's bottom-up multi-stakeholder processes.

**Response:** We take note of the GNSO Council comments about more effectively indicating future allocations devoted to community support of the SO and AC communities. At this stage, the budget document does not currently produce the degree of granularity to display specific costs by department function. This may happen in the near future as this degree of detail may be needed. ICANN will build on the experience with the community budget requests to effect that improvement in future budget cycles.

**26.12 Comment from ALAC:** The ALAC thanks the ICANN Finance Department for the significant improvements in the establishment of the proposed budget, specifically when it comes to engaging ICANN Communities at an early stage.

**Response:** Please see response to comment 26.5

**26.13 Comment from GNSO Council:** As the manager of GNSO policy development process, the GNSO Council has focused on the aspects of the budget as they relate to GNSO policy development support and related resources as part of the proposed ICANN FY16 budget. However, it is also important to note that, in addition to an extensive number of GNSO policy development activities, the GNSO through its Constituencies and Stakeholder Groups, is also closely involved in a large number of cross-community efforts. All of these activities require appropriate resources to ensure the effectiveness of ICANN's bottom-up policy development processes, one of ICANN's core functions. The budget plan could be structured more clearly. For a reader without specialist financial reporting experience, it is very difficult to understand which portions of the budget either directly or indirectly support the Community as an integral part of the bottom-up multi-stakeholder model.

**Response:** ICANN acknowledges the need for clearer information in the budget relative to activities in direct support of the community organizations and their corresponding costs. The need for this information has also been highlighted in the ATRT 2 recommendation 12.4. ICANN staff expects to share a first draft of budget information by community organizations for input in the coming months.

**26.14 Comment from IPC of the GNSO:** P. 50: A goal is stated to "increase % participation rates from documented baseline established in FY 2015." Whose participation is being measured: ICANN staff or ICANN stakeholder entities? And specifically what activities related to "the existing Internet governance ecosystem" are being counted in calculating these participation rates? Flying ICANN staff around the world to participate in various duplicative fora addressing Internet governance issues far removed from ICANN's core mission is not an activity to be encouraged. More detail is needed.

**Response:** The participation in the Internet ecosystem that is being measured is both those events where ICANN is asked to participate on IG issues and where the community -through ICANN's support - is active in the ecosystem. This includes national regional and the international IGF amount other events. The goal is not to

have staff members or community representatives attend events but to support best practices around multi-stakeholder participation and the sharing of information that support a single stable interoperable Internet

**26.15 Comment from Public Interest Registry:** Public Interest Registry appreciates the opportunity to comment on ICANN's Draft FY16 Operating Plan & Budget. We commend the ICANN Finance Team for delivering on its promise to provide greater detail on planned expenditures down to the project level. This is critical for interested observers trying to make sense of ICANN's ever growing expenses. Likewise, we congratulate the Staff for getting the draft budget out for public comment this early in the development cycle. Past delays have undermined the credibility of the budget process by artificially constraining meaningful public comment and staff responses to highlighted budget concerns. We sincerely hope that this is the start of a new trend.

**Response:** Please see response to comment 26.5

**26.16 Comment from Public Interest Registry:** Despite these improvements, Public Interest Registry notes that this year's proposed budget still contains no cost-based justification for ICANN's revenues or various expenses. The draft budget also has no cost-benefit analysis, even though the last Accountability and Transparency Review Team made this specific recommendation in its January 2014 report. This remains unacceptable for an organization whose revenues and expenses have experienced such significant growth.

**Response:** ICANN extensively improved its planning process over the past 2 years with the following:

- Creation of a 5-year Strategic Plan, structured with five objectives, resulting from a comprehensive bottom/up multistakeholder input process (approved by the Board on 8 September 2014),
- Creation of a Five-year Operating Plan, translating the five strategic objectives into operational activities, including key success factors, risks and annual milestones, through a structure of 16 goals and 50 portfolios (approved by the Board on 6 April 2015),
- An FY16 Operating Plan and Budget, providing for a breakdown of all ICANN costs by each of the 5 objectives, 16 goals, 50 portfolios, and 300+ projects (by cost nature: Personnel, Travel and Meeting, Professional Services and Administration).

The justification of "why" expenses are incurred (strategic and operational rationale), and "what" expenses are incurred (through 300+ projects) is provided in a clear and transparent fashion as a result of the strategic, operating and budget plans described above.

In addition, the effectiveness of the costs incurred in contributing to the achievement of the objectives is expected to be supported and demonstrated by the monitoring of metrics/KPIs to be included in the ICANN Dashboard. The ICANN Dashboard is under development, using input received on the Five-year Operating Plan, and its future implementation is expected to allow for the possibility to evaluate the progress and performance of the organization against the Strategic and Operating plans.