



**Comment on Draft FY22-26
Operating & Financial Plan
and Draft FY22 Operating
Plan & Budget**

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Business Constituency Submission

GNSO//CSG//BC

Background

This document is the response of the ICANN Business Constituency (BC), from the perspective of business users and registrants, as defined in our Charter:

The mission of the Business Constituency is to ensure that ICANN policy positions are consistent with the development of an Internet that:

1. promotes end-user confidence because it is a safe place to conduct business
2. is competitive in the supply of registry and registrar and related services
3. is technically stable, secure and reliable.

Comment on Draft FY22-26 Operating & Financial Plan and Draft FY22 Operating Plan & Budget

The BC is pleased to submit this comment on Draft ICANN FY22 Budget and FY22-26 Financial Plan. We thank ICANN Org for producing a comprehensive Operating and Financial Plan & Budget proposal that has benefited from comments on past drafts. In this respect, we can say that the BC is satisfied with the quality of the drafts produced. However ICANN will benefit from more community engagement by reducing the volume of this document and introducing an Executive Summary that highlights the key points as attempted with the 14 page Highlight document.

The BC appreciates the breakout provided with the 15 Operating Initiatives and the thought given to the development of 34 Functional Activities within 5 service groups that represent the way ICANN Org operates the organization as presented in sections 2.2 and 2.3 of the Highlight document.

FY22 Draft Budget Proposal

- 1) The Business Constituency is pleased to provide input to The ICANN FY22 Draft Budget and to present observations to ICANN's financial plan for FY22.
- 2) We appreciate ICANN Org's diligence and clarity in presenting this year's draft, particularly in the circumstances of the pandemic and its unpredictability. The FY21 forecast is particularly welcome since so much has changed since the Adopted FY21 budget was approved. We recognize that the forecast was made after 4 months (July-October) and we recommend that an updated forecast be prepared as part of the review of this Public Comment.
- 3) Please provide more detail about the Incremental Operating Initiatives. We note the comment that Verisign's contribution to ICANN's Security, Stability, and Resiliency (SSR) initiatives was for a partial year in FY21, which coincides with the \$2 million, and we understand that Verisign is committing \$4 million for FY22, but it is not clear what the full \$5.5 million represents, particularly in the light that \$0 was budgeted in this area in the FY21 Adopted budget.
- 4) 3.1.4. We note that Professional Services are not returning to FY19 levels. But we are not clear on why they would not, given the proposal for a full year of face-to-face meetings in FY22 where we understand that a significant portion of these services relate are attributed. While cost reductions are always welcomed, it is not clear how this was calculated.
- 5) 3.1.5. According to the chart, at no time since before FY17 has the headcount at ICANN been 405 FTEs. The highest was 397 in FY18. We understand that some personnel associated

with the New gTLD program are being placed in normal ICANN operations, specific numbers do not appear to be easily identified so we are seeking clarification whether there are other new positions represented in these numbers.

- 6) 3.2. With FY22 only 6 months away and it is unclear how ICANN has calculated a decrease in New TLD Fixed Fees. And while Fixed Fees are decreasing, transactions are increasing.
- 7) 3.3. We note that while the number of constituent travellers that are budgeted across most SO/AC groups remain constant across FY22, there is a large increase in GAC representation from 40 to 74 during ICANN74. We were pleased to see that during the Draft FY22 Clarifying Question Report issued on January 26, 2021 that this was incorrectly posted here and will be moved into Additional Budget Requests as core activities in future drafts. Nonetheless, we would appreciate a better understanding of why the numbers swell so significantly for this one meeting.
- 8) 3.3.3. FY21 and FY22 both have 2 meetings in same locations yet the budgeted amounts for the years are different. Cancun FY21 was budgeted at 4.2 and FY22 at 3.7. Similarly, The Hague FY21 3.7 and for FY22 3.5.
- 9) 3.4. Both FY21 Adopted and FY22 draft, identify the same risks. While the experience of FY21 has informed an adjustment in allocations for half of these risks, GDPR compliance remains earmarked as TBD. We would expect that with an additional year of work devoted to examining the impacts of GDPR that some estimate could be identified for this.
- 10) For FY22, ICANN org is expecting to have \$75 million in the New gTLD fund. The Multi-year View and chart at 5.1 indicates that the net remaining new gTLD fund is actually \$46 million at FY22 (by combining remaining from FY12 through FY22). Please provide clarification on how the \$75 million under management is calculated for FY22.

New gTLD Program	Statement of Activities by Fiscal Year					Statement of Activities for Full Program (Dec 2020) Current Estimate
	FY12 - FY19 Actual	FY20 Actual	FY21 Forecast	FY22 Draft Budget	FY23 & Beyond Forecast	
New gTLD Applicant Fees	335	(8)	9	8	17	361
Refunds	(50)	(0)	(1)	(0)	(1)	(52)
Applicant Fees (Net of Refunds)	\$ 285	\$ (9)	\$ 8	\$ 8	\$ 16	\$ 308
Initial and Extended Evaluation	(68)	-	-	-	-	(68)
Quality Control and Objection Process	(11)	-	-	-	-	(11)
Pre-delegation	(12)	-	-	-	-	(12)
Program Costs	(35)	(2)	(4)	(4)	(9)	(55)
Staff Costs	(55)	(1)	(1)	(1)	(2)	(61)
Operating Expenses	\$ (181)	\$ (4)	\$ (5)	\$ (5)	\$ (11)	\$ (206)
Historical Development Costs	(32)	-	-	-	-	(32)
Risk Costs	(22)	(4)	(2)	-	-	(28)
Non Operating Expenses	\$ (54)	\$ (4)	\$ (2)	\$ -	\$ -	\$ (60)
Other Income/(Expense)	\$ (2)	\$ 0	\$ -	\$ -	\$ -	\$ (2)
Investment Income/(Expense)	\$ 9	\$ 2	\$ 0	\$ -	\$ -	\$ 11
Total Expenses	\$ (229)	\$ (5)	\$ (7)	\$ (5)	\$ (11)	\$ (257)
Net Remaining New gTLD Funds	\$ 56	\$ (14)	\$ 1	\$ 3	\$ 5	\$ 51

- 11) 7.1. This document indicates that 2,450 registrars were accredited as of September 20, 2020. The funding calculation from accreditation fees then goes on to indicate that Annual

Accreditation Fees for FY22 will be calculated from 2,356 registrars which includes an anticipated 28 new accreditations. Can you explain how the drop of 94 accreditations occurred?

- 12) 7.3.1. the review of FY21 Adopted budget vs. the Forecast is valuable in setting an understanding for FY22. Notable was an increase in Capital from a budgeted \$1.2 million to a forecasted \$6.3 million – a 277% increase. Are you able to provide details related to FY21 Capital expenditures and also provide information related the FY22 draft Capital of \$4 million?

Based on the above, the BC appreciates ICANN Org’s comments and commitment to continuous improvements.

ADDITIONAL BUDGET REQUEST

The BC notes that from the FY21 budget process 6 of the 34 individual ABR applications received have been moved to core ICANN FY22 budget for annual funding, while the BC has experienced a high decline in its budget requests Year on Year, reasons why production of BC Outreach materials that have enjoyed ABR approval since FY13 has not been moved to core ICANN FY22 budget would be welcomed. **B: FY22-26 Financial and Operation Plan**

The BC notes the extensive details provided and comment as follows:

- 1) The BC appreciates that the Fiscal Year 22 -26 Operating Budget and Financial Plan is presented in a uniform and organized manner containing 15 operating initiatives broken into Low, Midpoint and High fiscal estimates. The budget structure could help to track improvements where figures of previous years are benchmarked against the current cycle and where detailed breakdown of the votes are provided.
- 2) That ICANN Org’s is planning to keep a stable headcount through the FY22 – 26 given the realities posed by the pandemic and other uncertainties is welcoming, but there is need to explain how activities that would become heavily dependent on personnel like the next rounds of New gTLD Auctions and consolidation of reviews amongst other policy development tracks will be managed with the existing staff strength.
- 3) In the plan for FY22 – 26 the operating initiatives is projected to consume 5% of ICANN budget by FY26, whilst this is comparatively small compared to a 55% margin allocated as personnel cost, the components of this cost item need to be broken down further to allow for easy tracking and justification.
- 4) As highlighted in our earlier comment on the budget for FY22, the budget item on Incremental Operating Initiatives has a vote for \$5.5M USD but no provisions are highlighted for the other years leading up to FY26. The BC request that in addition to the specific details of this vote, the plan leading up to FY26 should be highlighted.

Specific Comments Related to the draft FY22-26 Operating & Financial Plan

1) Support the Evolution of the Root server system:

- a. The BC commends ICANN's plan to continue to support and collaborate with key stakeholders in ensuring the stability, security and resilience of the DNS Root zone and the evolution of the Root Servers.
- b. The BC notes the desire to develop mechanisms by which the community can be alerted on issues relating to rapid growth of the Root Zone, development of a monitoring system to collect data on the operations of the Root Server Systems as discussed in RSSAC 047 and development of mechanisms to further distribute and scale the Root of the DNS, more details would be required before we are able to adjudge if the budgeted mid-point sum of \$4.5Million Dollars would be adequate over the 5-year period.
- c. It is unclear what amounts are committed to the KSK Rollover process and what it has caused ICANN over the last budget cycles? Owing to the experience gained from the first KSK Rollover, it is the belief of the BC that ICANN has improved on her skills and knowledge on how subsequent Rollovers should be affected and should periodically communicate to the community how the practise is evolving with cost saving mechanism built into the Process.

2) Facilitate DNS Ecosystem Improvements:

- a. Planning for emergencies, especially in a post-COVID era is critical at this time. Advocating for improved DNS Security architecture through deployment of DNSSEC and implementation of DANE is encouraged by Business.
- b. Business also encourages improvements on Technical Engagements and Capacity Development especially in ICANN Regions that lack such capacity through all probable means over the next 5 years.
- c. The BC has committed its own funds in the current Financial Year towards Research and encourages ICANN to do more especially around issues that focuses on the health of the DNS Ecosystem. Again, due to the lack of details in the base budget proposed, the BC is unable to conclude if the sum of \$6M USD allocated for this core aspect of ICANN operations over a 5-year period is adequate.

3) Evolve and Strengthen the Multistakeholder Model to Facilitate Diverse and Inclusive Participation in Policymaking:

- a. The task of ensuring active participation with Global representation in the policy development process by all SO's/AC's is important for the BC and the huge demographic she represents. Equally continued improvements through specific reviews that are community and consensus driven to the ICANN By-Laws are welcomed by the BC.
- b. The details provided makes it difficult for the BC to judge if the mid-point and base sum of \$4.3M USD provisioned for strengthening the MSM over the next 5 years is adequate.

- c. The budget highlight specifies budget for 1 headcount as Project Manager to facilitate and advise as well as funds for implementation. The BC seeks clarity to know if the intention is for a staff in this resource role or a consultant to manage the By-Law Organizational and Specific reviews.
- d. The BC continues to believe that the PDP 3.0 is an important step towards the improvement of the Multistakeholder model. It has been previously mentioned in comments by the BC that these evolving approaches to scoping work should also be used outside of the GNSO PDP, and with a broader usage of these principles, so that they serve as a guideline for work performed under the ICANN umbrella.
- e. It is also our opinion that a key factor in improving the effectiveness of the MSM is to eliminate overlap of work by making clearer what the ongoing processes are and what their expected outcomes are. This entails, of course, that projects will be required to have better defined goals from the start and not rely on organic discovery of issues as work unfolds. More prior research needs to be performed so that discussions are carried out on top of a solid and fact-based foundation.
- f. We believe that clearly defined scopes should come with parameters or guardrails such as sensible time limits, interim and final deadlines, cost and other resource constraints, and expectations for the outputs.
- g. We would like to reinforce the BC's concern that there should be better communication between ICANN staff, SO/ACs, leaderships and Outreach committees in each of the communities to help newcomers find their way to the groups in which they will be most effective, and when such people arrive at the group, coaching mechanisms should be in place to receive and induct them properly.

4) Evolve and Strengthen the ICANN Community's Decision-making Processes to Ensure Efficient and Effective Policymaking:

- a. The global pandemic has forced an age of Remote work and this has increased the need and dependence on online collaborative tools with language support. As the number of online meetings increase, so will the need for language interpretation in real-time. The BC is glad to see ICANN make provisions for language support to the community but is unable to judge if \$1.5M USD is adequate for the scope of services to be covered over the 5-year period. There was also no note to indicate if the provisioned service is for the entire community or a selected few?
- b. ICANN org.'s notion that its priorities come "from the community" needs to be better explained and the processes that lead to the setting of said priorities should be made transparent. With the increasing volume of internal and external pressure that the community faces, it is necessary to work faster and in a more streamlined manner.
- c. The BC believes that in making clearer what the ongoing processes are and what their expected outcomes should be, a good number of active community members will be assisted in being up to speed with ongoing efforts and potential threats. This is one major way priorities will be understood and agreed upon.

- d. Time at ICANN meetings should be spent moving policy forward through task-oriented sessions. An initial community briefing in which all Working Groups are allotted a short time to present their progress and current challenges could serve as an opener to the meeting so that every attendant would be on the same footing, and also remove the need for introductions to be repeated across different sessions. These summaries are delivered to some degree by ICANN staff during preparatory webinars, but staff cannot be as candid as community members, especially when there are issues with the work being carried out.
- e. We reinforce the BC's point over time that "A process where the community can truly assist in setting priorities and there is an exchange between ICANN Org and involved stakeholders on the matter can be highly beneficial if properly structured".

5) Develop Internal and External Ethics Policies:

- a. The BC finds it difficult to support the development of an Internal ICANN Org Ethics Policy and another for ICANN community Ethics Policy and the attendant gap analysis for close to \$1M USD
- b. The process culminating in the launching of an Ethics webpage and dashboard may further make the ICANN website more challenging to navigate and increase difficulty in discovering information. Already duplication of content is quite common, and there is a lack of proper hyperlinking connecting different pages and documents that are related. The wiki's organization also leaves much to be desired.
- c. The structure of the website needs to be shifted towards a new paradigm of hubs, in which all data concerning a particular subject can be found by means of a single tag or category, instead of forcing the user to follow breadcrumbs to find different pieces of the desired information, which then require manual assembly.

6) Promote and Sustain a Competitive Environment in the Domain Name System:

- a. The BC believes that effective cross functional collaboration is essential for the success of the work ahead, and leading to the launch of the rounds. Based on the draft reports issued by the SubPro Policy Development Process Working Group, ICANN org through its Legal team, Communications, Global Stakeholder Engagement, Human Resources, Finance, Global Domains and Strategy desk, Office of the Chief Technology Officer, IANA, and Engineering and IT would need to guide the board through the Launch of the next rounds and the evaluation of every application received.
- b. Noting that the processing of applications in future application rounds for new gTLDs is expected to remain subject to the principle of cost recovery with a need for a number of ground work to support the launch before applications opens, the BC supports absolute transparency in the process leading to the allocation of funds and advises to the board concerning the source of funds that will need to be identified and approved by the Board.
- c. As there are indications to the possibility of a next round during this planning cycle, the BC proposes that a caretaker budget within a certain threshold deemed adequate to cater for the launch of the next rounds being a fraction of the expense gathered during

the previous round be set aside from resources raised from the last subsequent round of new gTLDs which is separate from ICANN Operational core budget.

7) Universal Acceptance:

- a. The BC agrees that Universal Acceptance helps to breed innovation, while fostering competition and consumer choice. It is becoming increasingly important that outreaches to providers of standards and increased capacity for developers to update applications to be UA ready is relational to the outcomes expected in new gTLD rounds.

8) Root Zone Management Evolution:

- a. Again the BC submits that the manner in which the resources in the budget of \$4.5M were allocated for Root Zone Management would have helped arrive at a better judgement of the adequacy of the budget.
- b. BC notes that the budget of \$4.5M includes resources for launching of a significant new version of the Root Zone Management System (RZMS) with redesigned backend, launching of a new authorization model to allow additional appropriate parties to be authorized as TLD managers with associated user management improvements and launching of customer application programming interface (API) access asides implementation of approved policy recommendations on IDNs. The implementation of approved policy recommendations on New gTLD Subsequent Procedures, ICANN org's Operations team needs and Audit criteria of the RZMS needs should have at least have the ratios of their budget size represented in graphs or other analytical patterns.
- c. The BC notes that approximately 1.5 FTEs within ICANN org's Engineering and IT function would be deployed to perform software development and 1 FTE on the IANA team deployed to provide product management, design and requirements setting, however it is not clear if these deployments are completely new hires or realignments between the workforce which would result into no significant impact on the headcount.

9) Evaluate, Align and Facilitate improved engagement in the Internet Ecosystem:

- a. The BC supports that ICANN continues to foster successful and mutually beneficial relationships with local, regional, and global partners to ensure knowledge building about ICANN and its Mission and that ICANN is engaged, its role acknowledged, and its presence valued in the arenas where topics within its remit are discussed. The BC also supports that ICANN plays an important role in raising awareness among legislators, regulators, and stakeholders about its Mission and the effect of various regulatory and other proposals on the Internet ecosystem.
- b. The BC notes the concern around Political sensitivities to reducing some participation that the community relies on and would like to know the extent of study done to in a bid to mitigate issues arising.
- c. The BC notes that declaring the budget allocated to this initiative would aid transparency and allow for better accountability for resources.

10) Through targeted engagement improve Governmental and intergovernmental organisation (IGO) Engagement and participation in ICANN:

- a. The BC notes the Allocation of adequate resources to sufficiently monitor global dialogue and alignment with the Strategic Plan in the bid to increase the capacity of new members joining the GAC and by extension improving the outcomes from the GAC interventions and advice, but fail to see why the sum allocated to this operational initiative is not declared or a similar focus provided to the business community to enhance their participation in ICANN.
- b. Without aligning the focus and goals of other stakeholders, it becomes difficult to work in a harmonious way as a group. This is a systemic concern that needs to be addressed from a planning perspective, and brought back to the forefront of the community's concerns. The DNS Abuse session carried out in 2019 stands as a good example of the community coming together to present points of view and make positions clearer.
- c. Importantly, overall distrust and the zero-sum mentality that typify current silos are in some cases caused by the structural deficiencies. Participant silos lack the incentive to compromise on matters, when in the absence of such compromise, the status quo reigns, and each silo begins to focus more on the unfavorable proposals that they've eliminated than the actual problems they've solved. This is all the more reason structural issues should not be disregarded and cannot be divorced from the discussion on how to improve the effectiveness of ICANN's MSM.
- d. We reinforce the BC's view that "We do already have a tool intended for silo breaking, which is Meeting B. The ICANN B Meeting is supposed to be exactly about making this sort of outreach, listening to each other, having sessions where we get to discuss."

11) Monitor Legislation, Regulation, Norms, Principles and Initiatives in collaboration with others that may impact the ICANN Mission:

- a. The BC agrees that active development of community dialogue mechanism with support of ICANN org's Policy Development Support function could help in developing and mature systems to detect and monitor legislative initiatives and other governmental or IGO actions or initiatives that could impact ICANN's Mission or operations
- b. The BC is happy to collaborate further with the Regional Global Stakeholder Engagement teams to assist in analysis of reports on upcoming regional legislation that might impact ICANN and seek more collaboration in the analysis of data generated from such engagements.

12) Formalize the ICANN org Funding Model and Improve Understanding of the long-term Domain Name Market Drivers:

- a. The BC is fully aligned with the submission that ICANN should seek to validate and improve forecasting accuracy through review of data including zone files, registry transaction reports, contracted party family affiliation, corporate disclosures,

market intelligence, and more to improve on the health of the Domain Name marketplace and reduce vices like abuse that negatively impact the market.

- b. The BC cautions that as ICANN org formalizes its funding model and plans to evaluate the migration of the forecast model to a platform that will provide a robust system for preparing and analyzing future funding projections, Internal systems already existing that can be customized to deliver such processes should be explored first before considering other options.

13) Implement New gTLD Auction Proceeds Recommendation as Approved by Board:

- a. The BC is fully aligned with the submissions made with regards the initiative and preparations for the implementation of the Board-approved recommendations arising from the Cross-Community Working Group on New gTLD Auction Proceeds (CCWG-AP). As implementation would be funded from the Auction proceeds there would be no shock to the operations of ICANN as its core budget is not impacted.

14) Planning at ICANN:

- a. The BC notes that the number of ICANN org resources involved over the five-year plan period are expected to increase as compared to the previous five-year plan to accommodate the need for operational alignment, prioritization, increased number and quality of plans, and increased communication but fail to see how this is catered for in the budget.
- b. The BC also notes that Limited external resources will be needed to help with education, skills, and facilitation at the beginning of the period as internal capabilities ramp up. More details on the skillset of the external resources required and the gap that exist in that wise internally would be helpful.
- c. The BC agrees that newer community members need time to get used to ICANN's planning process and may not fully engage in Public Comment proceedings basically due to the large volume of details in the documents presented for public comments and the need to read through each line of documentation and possibly require additional information. This in itself is quite a herculean task for any veteran, let alone a newcomer. ICANN needs to seek better ways to present its financials such that it provides a high-level explanation of the budget and financial plan with clarity while being concise.
- d. The BC also agrees that ICANN will need to provide information and engagement opportunities to ensure that the Bylaws-mandated review and Empowered Community timelines are achievable. We also acknowledge that great effort has been put into the PDP3.0 to develop consensus more effectively. However, a clear definition of what consensus means in relation to the current scale of ICANN needs to be laid out, as the community has grown to a scale that fundamentally alters the prerogatives initially set for this model.
- e. In relation to Working Groups (WG), it has been observed that a false sense of consensus or lack thereof can be unduly created through the use of stalling tactics and by consuming working calls with parallel or trivial debates, discouraging the participation of more goal-oriented volunteers. Leaders of WGs should have the power to make a call for consensus and act upon results, seeing as it is easy to call

into question the legitimacy of a consensus but difficult to prove it, which allows for much obstructionism.

15) ICANN Reserves:

- a. In furtherance to the Board resolution to replenish the Reserve Fund to an amount equal to one year of operating expenses as the minimum target level of the Reserve Fund the BC applauds the continuous replenishment of the reserve fund but would like a situation where the margin is increased relative to the amount generated in the Financial year. A savings of \$1M USD relative to an income of \$141M USD is relatively marginal. The BC is concerned that if the level of the Reserve Fund is expected to grow to approximately \$165 million by the end of FY26, deliberate savings must be made into the funds.
- b. The BC note that since the replenishment strategy suggests that approximately USD \$32 million be allocated to the Reserve Fund over eight years, savings made from the non-conduct of physical meetings through FY20-21 should be added to the Reserve funds to cause for the desired buffer for future increases in operating expenses if it were triggered.

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This comment was drafted by Tim Smith and Lawrence Olawale-Roberts, with edits by Jimson Olufuye, Tola Sogbesan, and Kileo Yusuph.

It was approved in accord with our charter.