

Xavier Calvez
Chief Financial Officer
ICANN

8 March 2018

Dear Xavier,

**Statement of the Generic Names Supporting Organization Council on
ICANN's Draft Operating Plan and Budget for Fiscal Year 2019**

The Generic Names Supporting Organization (GNSO) Council welcomes the opportunity to provide input on ICANN's draft Operating Plan and Budget for the fiscal year 2019.

This comment was prepared by the Council's Standing Committee on Budget and Operations (Standing Committee), whose membership includes both Councilors and Subject Matter Experts from across the GNSO. The Standing Committee focused its efforts on exploring whether or not the resources directed at policy development are appropriate, both in relation to current workload, and in view of planned policy activities for FY19 and the risks or threats to the fulfillment of the GNSO Council's responsibilities. Our comments are divided into two parts; first, we offer comments of a general nature, then, we delve into specifics.

This statement is made on behalf of the GNSO Council. However, our comments are intended to complement, and not replace, any input that may be provided on the proposed FY19 Operating Plan and Budget by individual GNSO Stakeholder Groups and Constituencies.

General Comments:

- First, the GNSO Council wishes to thank the Finance Department, and in particular Xavier Calvez and Becky Nash, for their receptiveness to community input and for responding so promptly and comprehensively to the clarifying questions that were submitted by the members of the Standing Committee. We appreciate the granularity in the materials that were made available this year, and we express our appreciation for the fact that this material was published some five weeks earlier than it was for the FY18 budget cycle. As a suggestion, we request that a high-level summary of the key points, divided into a table of "what's in" and "what's out" of the proposed Budget, be provided moving forward.
- Second, the GNSO Council wishes to propose an improvement to ICANN org's budget development process. The GNSO Council met in January to identify and prioritize its policy development and other activities in the coming year. We believe that the results of this exercise would prove an extremely effective tool to ICANN org in its development of the annual budget, in that it would provide the organization with clear, current status of anticipated timelines and thus help the organization more accurately account for policy implementation in the annual budget. The GNSO Council considers an earlier, more robust communication and information gathering approach by ICANN org to be an important and necessary maturation in its budgeting and fiscal prudence.

- Third, the GNSO Council, as manager of the GNSO policy development process and a decisional participant in the Empowered Community, believes it has a responsibility to examine ICANN's overall spending patterns, examining in particular the organization's effectiveness and efficiency. Going forward, the Council intends to explicitly document effectiveness and efficiency within our activities. We ask that ICANN org do the same, measuring the effectiveness and efficiency of its operations in a way that the community finds meaningful and useful.
- Fourth, the GNSO Council takes seriously its responsibilities as a part of the Empowered Community. As a result, we have carefully reviewed the budget to understand what resources have been allocated relative to other parts of the community, both to ensure appropriate funding and to ensure we are fully accountable for the resources that we utilize. We have been unable to approximate the levels of financial support provided directly and indirectly to the various Supporting Organizations, Advisory Groups, and associated stakeholder groups and constituencies. We need to have this information in order to hold ourselves, and others, mutually accountable. In particular, we would like to know whether the GNSO is receiving an appropriate level of support commensurate with the responsibilities conferred on the GNSO via the ICANN Bylaws.

Specific Comments:

- The GNSO Council wishes to underline the fact that GNSO policy development and coordination is a core ICANN activity that should be prioritized with respect to other ICANN activities. We would like to understand what proportion of the organization's spend can be reasonably connected to policy development activities. Our feeling is that this allocation is not adequate at present. The GNSO Council anticipates that our active Policy Development Process Working Groups will require funds in FY19 in order to meet the terms of their respective charters. While specifics cannot be foreseen in detail at this time, activities like face-to-face meetings, training of leaders, an annual Council induction, and/or the provision of relevant professional expert assistance are likely candidates. Recent examples have included external legal advice for the RDS PDP and the data acquisition via survey for the RPM PDP.
- The GNSO Council has submitted an additional budgetary request to hold a Strategic Planning Session in 2019. This follows on from a very productive and successful pilot session in 2018. We ask that the resources be made available by the organization for its continuation, while recognizing that other Stakeholder Groups/Constituencies have different priorities that may compete with the support of this request at the Council level.
- The GNSO Council acknowledges that the FY19 draft budget does not account for development or resources towards the next round of new gTLDs (as mentioned in Document #2, Section 2.5.1, on page 21). It is anticipated that the Subsequent Procedures PDP will complete its work by December 2018 with an expectation that consensus recommendations will be adopted by the Board prior to the conclusion of FY19. As noted under Portfolio 2.1.1, which contains a project for "Subsequent Procedures for New gTLDs" with a description of "Activities related to (1) tracking and reporting on the community's work to prepare for subsequent procedures for new gTLDs; and (2) planning for and implementation of policy recommendations on subsequent procedures" with a budget amount of \$300K, we believe that this is insufficient to meet the probable resourcing needs (based on the budget allocations to policy

implementation for the 2012 round of new gTLDs). Therefore, the GNSO Council recommends adequate budget is made available to allow for preparatory work to expedite the start of the next round(s).

- The GNSO Council's Standing Committee has had detailed discussions about the resources allocated to global engagement activities, and found that there are many unanswered questions, some of which relate to the value proposition of these expenditures. At ICANN 59, GSE presented to the Council about their activities along with Finance in response to the Council's comment on the FY18 budget. As promised then, the GNSO Council awaits availability of measures of success as it relates to global engagement activities to ensure that they are all closely aligned with ICANN's mission, and assess how activities meet these criteria. We believe that there should be a particular focus on tangible outcomes; both directly and indirectly. We recognize that ICANN is part of a larger Internet governance ecosystem, but remain concerned that the impact of many of ICANN's engagement activities are not yet subject to the discipline of reliable metrics and performance measurement. It is therefore difficult to ascertain ICANN's participation or sponsorship of events as this relates to ICANN's core mission around policy development.
- The GNSO Council supports in principle the proposed sustainability audit (referring to the proposed reductions noted in Document #2, Section 2.5.3, on page 23), particularly in light of current budgetary pressures. The purpose, scope, and cost of this audit are, however, unclear. Additional information is required in order to properly assess this proposed reduction.
- The GNSO Council understands the need for ICANN to consider areas where cost-savings can be achieved, and we applaud ICANN for the changing philosophy in providing for more responsible budget management. However, we were surprised that the recent announcement of cost-savings was made absent any consultation with the community and contained no detailed rationale. Similarly, core activities such as the Community Regional Outreach Program were discontinued without prior community input and/or notification. Without commenting specifically on any particular program, we do note that drastic cuts were made in the proposed budget, without consultation, to programs that were previously considered "core". Going forward, the GNSO Council respectfully requests an opportunity to provide input in advance of any future proposed discontinuation of programs related the management and operation of policy development processes.
- The GNSO Council recognizes the growth in the organization's personnel costs by \$7.3 million (11%) over FY18. The overall budgeted personnel costs of \$76.8 million comprise 56% of the \$138 million budget, and a further \$23.4 million, or 17% of the budget, is allocated to professional services. In principle, the GNSO Council believes that growth of staff numbers should only occur under explicit justification and replacements due to staff attrition should always occur with tight scrutiny; especially in times of stagnate funding levels. When considering personnel allocation and costs, we emphasize the need for prioritizing mission critical work like policy development and implementation of GNSO consensus policies. Of the 25 FTE increase from current actuals, through the FY18 forecast, and the FY19 budget, none of the increases apply to policy development and only a handful occur where implementation and reviews take place. The GNSO Council currently manages five large PDPs in addition to other activities, many of which are expected to operate through FY19 and beyond, and while there are no proposed FTE cuts to Goal 1.3, we are concerned that GNSO policy staff support is at their limit (if not beyond) to take on additional work of the GNSO without impacts to quality that we depend on. This complements the expected need of

professional experts as noted at the start of these specific comments. Further, while the information within the draft budget has improved considerably over the years, the Council would like to see in future budget cycles information to better evaluate and justify the overall staff expense and planned growth.

- The GNSO Council supports ICANN in its efforts to evaluate the future of its capacity development programs, including the Fellowship, NextGen@ICANN, Global Indigenous Ambassador, ICANN Academy, and Community Onboarding programs. While we do not discount the value of these programs as a general matter, we do consider it important to undertake continuous evaluation through measurable metrics of success, especially in an environment of high workload, volunteer burnout and budget constraints. We encourage ICANN to undertake a critical assessment on the measurable benefits of all programs in terms of bringing active participants into the ICANN community, particularly as it relates to participation in PDP WGs and leadership positions of SGs/Cs.
- The GNSO Council is cognizant of the low uptake of ICANN's language services and the high cost involved in delivering real-time interpretation. We therefore support ICANN in its outlined efforts to focus translation and interpretation resources based on necessary and justifiable needs. We would like to help ICANN identify these needs within our own policy development activities.
- The GNSO Council welcomes suggestions as to which, if any, areas of ICANN org operations could be automated to enhance cost saving in policy development activities over years to come.

The GNSO Council is grateful to ICANN for this opportunity to share our perspectives on this important issue and we trust you will find our recommendations helpful. As the GNSO is a part of the Empowered Community we look forward to reviewing all inputs from the public comment process which addresses ICANN's broader strategy and budget. Finally, the GNSO Council would be happy to answer any clarifying questions that you may have regarding the contents of this document.

Yours sincerely,

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GNSO Chair

Rafik Dammak
GNSO Council Vice Chair
Non-Contracted Parties House

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