

Xavier Calvez
Chief Financial Officer
ICANN

19 February 2018

Dear Xavier,

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

The GNSO Council welcomes the opportunity to provide input on ICANN's draft Operating Plan and Budget for the fiscal year 2019. We have carefully reviewed ICANN's plans and proposals, and we would like to provide structured feedback and suggested refinements that we believe deserve further consideration by ICANN.

This comment was prepared by the Council's Standing Committee on Budget and Operations, 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 were appropriate, both in relation to the GNSO's current workload, and in view of planned policy activities for FY19. We have divided our comment 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. It has not been subjected to a formal motion and vote, but rather is being submitted in the absence of any objection from members of the GNSO Council. The comments are intended to complement, and not replace, any input that may be provided on the FY19 Operating Plan and Budget by individual GNSO Stakeholder Groups and Constituencies.

General Comments:

- The GNSO Council thanks the Finance department for the granularity in the materials that were made available this year, and express our appreciation for the fact that this material was published some five weeks earlier than it was for the FY18 cycle. Thank you. As a suggestion, which we offer not as a criticism but as a gentle nudge that we hope will be accepted constructively, may 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.
- 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 we 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, accountable. In particular, we would like to know whether the GNSO is receiving an appropriate level of support relative to that which ICANN is extending to the ALAC, CCNSO, GAC, SSSAC, RSSAC, and the ASO.

- The GNSO, as a part of the Empowered Community, believes it has a responsibility to examine ICANN's overall spending patterns, looking at effectiveness and efficiency. In doing so, we have looked inward at our own operations, and, given we engage proactively in ICANN processes in an unremunerated fashion, believe we are operating efficiently. We will do a better job at documenting our effectiveness. 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.

Specific Comments:

- The GNSO Council is concerned by the growth in the organization's personnel costs by \$8.1 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 outside consultants, attorneys, and other "professional services." The GNSO Council feels very strongly that there is a need to stop the growth in the size of the organization's staff, to review staff salaries, bonuses, and fringe benefits (particularly in the middle to top tiers of management), and to explore how as a proportion of the budget, personnel costs and the extraordinary spend on professional services can be decreased over time.
- The continued allocation of resources for global engagement activities continues to raise questions about the value proposition of this expenditure. The GNSO Council requests that ICANN review its global stakeholder engagement activities to ensure that they are all closely aligned with ICANN's mission, and cut any and all activities that do not meet the criteria. We would like to see justifications for any continued spend with a particular focus on what tangible outcomes have been derived from ICANN's attendance at or sponsorship of these events. Any engagement activities that do not meet these criteria should be cut.
- The GNSO Council supports ICANN in becoming more fiscally prudent in all of its capacity development programmes, including the Fellowship programme, NextGen@ICANN programme, Global Indigenous Ambassador programme, and Community Onboarding programme. We support their proposed reductions in size and encourage ICANN to continue assessing the benefits of these programmes in terms of bringing active participants into the ICANN community relative to their cost. If there is doubt as to their benefits, we ask that ICANN refrain from further investments in these initiatives until such time as appropriate metrics, developed in consultation with the broader ICANN community, can be introduced.
- The GNSO Council asks ICANN to re-evaluate the merits of the ICANN Academy programme and to consider whether or not the costs associated with this initiative are reasonable and appropriate for a non-profit organization, along with whether the participant mix is sufficiently multistakeholder and diverse.

- The GNSO Council is troubled by the absence of references to the Community Regional Outreach Programme (CROP) in the FY19 Budget. The Finance department confirmed in writing that this programme has been discontinued, despite being a core activity that ICANN org has recognized over the years as being a success. CROP has increased public participation in the multistakeholder model, it has widened ICANN's international engagement efforts, and it has enhanced trust in ICANN as an institution. We believe this initiative should be open to the entire ICANN community, including both the contracted and non-contracted parties, because CROP creates a bridges between the ICANN community and the outside world. This is what brings ICANN legitimacy; in cutting CROP you weaken community participation, and by extension, hamper ICANN's own legitimacy. In a number of our Constituencies CROP has brought into the community new senior players and as such CROP should be supported; it is, if anything, the crown jewel of ICANN's capacity building activities!
- On a process front, the GNSO Council considers it unacceptable for ICANN to remove a core activity from the FY19 Budget without first notifying the community. In the multiple webinars on the Budget that our representatives attended, not once was the withdrawal of CROP voluntarily highlighted by ICANN staff, despite the significant impact that its removal will have on our volunteerism. This is further problematic because, being unaware that CROP was being cut, the community was unable to submit additional budgetary requests for these very activities, as we had expected them to continue to be funded through the core budget as had been the case in FY18.
- The GNSO Council seriously questions ICANN's proposal to reduce the additional budgetary request envelope by more than 50% in FY19. This will almost inevitably result in important community requests for support from across the GNSO and other SO/ACs not receiving needed funding to fulfill their engagement in outreach and onboarding new members. The significant cuts proposed will have negative impacts on the engagement of other members of the GNSO's constituencies, and, as we rely on the inputs and advice and participation of the broader members of each of the constituencies, we foresee negative implications impacting our policy work.
- The GNSO Council thanks ICANN for its continued support of the Non-Contracted Parties House Intersessional and the Contracted Parties House Global Domains Division Summit, and we welcome their inclusion in the core budget for FY19.
- 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.
- Given the level to which the ICANN Reserve Fund has been depleted, the GNSO Council believes ICANN must be more ambitious in its plans to replenish this fund.
- 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 efforts to focus translation and interpretation resources based on community documented needs. We would like to help ICANN identify these needs within our own activities and the projects with which we manage.

- We do not see sufficient funds allocated towards protecting registrants in FY19. The GNSO Council believes educational activities which help inform registrants as to their rights are important. After all, it is the registrants, in purchasing domain names, who keep ICANN in business.
- The GNSO Council believes that the ICANN community should not be the first group to be affected by drastic cuts to the budget; it is our view that budget cuts should happen at all levels, and the Board too should take steps to reduce the costs of its own operations.
- The GNSO Council notes indication that there is “no funding to conduct an ICANN org sustainability audit and draft report”. Council considers the audit exercise output as an essential tool for its own continuous oversight of ICANN org and as such Council recommends that the audit should be funded in FY19.
- The GNSO Council welcomes suggestions on what area of ICANN org operations that can be automated to enhance cost saving over years to come.
- Finally, 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 to the clarifying questions that were submitted by the members of the Standing Committee so promptly and comprehensively.

The GNSO Council is grateful to ICANN for this opportunity to share our perspective on this important issue and we trust you will find our recommendations helpful. We look forward to submitting future comments as they relate to ICANN’s finances and other budget-related proceedings. Finally, the GNSO Council would be happy to answer any clarifying questions that you may have regarding the contents of this document.

Yours sincerely,

Heather Forrest, GNSO Chair
Rafik Dammak, GNSO Council Vice Chair (Non-Contracted Parties House)
Donna Austin, GNSO Council Vice Chair (Contracted Parties House)