Transition & Accountability Costs

Summary of a call between ICANN Board Finance Committee and the co-chairs of the CCWG and CWG

Thursday 28 January 2016, at 13:00 UTC

**Attendees:**

(Names are listed alphabetically within each group).

Leon Felipe Sanchez Ambia, co-chair CCWG

Thomas Rickert, co-chair CCWG

Mathieu Weill, co-chair CCWG

Jonathan Robinson, co-chair CWG

Steve Crocker, ICANN Chairman

Fadi Chehade, ICANN Chief Executive Officer

Xavier Calvez, ICANN Chief Financial Officer

BFC Board Members:

Cherine Chalaby

Chris Disspain

Asha Hemrajani

Marcus Kummer

George Sadowsky

Ron da Silva

Other Board Members:

Ram Mohan

Staff:

Susanna Bennett

Megan Bishop

John Jeffrey

Melissa King

**Purpose of the Call**

The Board Finance Committee (BFC) requested a call with the CCWG and CWG co-chairs to seek their help and collaboration on how to address key concerns regarding the escalating costs of the current phase of work of the USG IANA Stewardship Transition and Accountability WS1 (thereafter referred to in this document as THE PROJECT).

The call took place on Thursday 28, January 2016 at 13:00 UTC. The purpose of the call was not to make decisions, but to get a common understanding of the issues, get everyone’s input and ideas, so that some concrete proposals can be presented at a follow-up call.

**Agenda:**

Cost of THE PROJECT

Issues to be addressed

* Costs estimates
* Accountability
* Control mechanisms
* Funding

WS2.

**Material:**

The material for the call is contained in the document attached which was posted in Adobe during the call.

**Summary Points from the call:**

* In FY15 the cost of THE PROJECT was USD 8.7m.
* In FY16 a budget of USD 7m was approved to cover the cost of (a) THE PROJECT and (b) two other phases of work: Implementation and Bylaws Drafting.
* The FY16 budget was used up by end of November 2015 (i.e. during the first 5 months of the Financial Year).
* The CFO has informed the BFC that an additional USD 9m is projected for the remainder of FY16 in order to: (a) complete THE PROJECT in February 2016 with the delivery of the Final Proposal, and (b) undertake the two other phases of work: Implementation and Bylaws Drafting. The cost of Accountability WS2 will be the subject of a further budget request.

* The total cost in FY15 and FY16 is estimated to reach USD 25m by end of June 2016 (of which USD 11.5 m is for external legal costs).

* Since March 2015 (the start of using external legal advice) the average monthly run rate has been in excess of USD 1m.
* The CCWG co-chairs explained that “there is no mention of cost or cost control in their Charter. The Charter does not define any specific decision making mechanism, delegation or authority about cost management. As a result, the consensus rule would apply within the group.".
* Hence, although there have been some controls in place, these controls are not sufficient and effective for the purpose of managing the costs against the budget for a project of that magnitude. As a result, the budget allocated to THE PROJECT has been overrun by a substantial amount.
* To cover these costs in FY15 and FY16, the ICANN Board has authorized various withdrawals from the Reserve Fund.  By June 2016, the Reserve Fund could be depleted to USD 60m, which represents only 6-8 months of ICANN operating expenses (vs the historical target level of 12 months).
* THE PROJECT will come to an end with the delivery of the Final Proposal in February 2016. It is important therefore to agree how proper budgetary estimates and additional cost control mechanisms will be set up for the next two phases of work: Implementation, Bylaws drafting, as well as for Accountability WS2.
* In addition to the above, a question was raised by the CWG co-chair as to whether we “are we getting good value for money from the outside law firms?” and “can we improve the value we’re getting?"

**Actions and Next Steps to be undertaken in the next 2-3 weeks:**

There are three strands of work that should be undertaken over the next 2-3 weeks:

* Strand 1: The CFO to work with the CCWG and CWG co-chairs to review and confirm the estimates for the remainder of FY16.

Strand 2: A discussion on how to establish proper budgetary estimates and cost control mechanisms for the next two phases of Cross Community Work in FY16 (Implementation and Bylaws Drafting), as well as any future work relating to Accountability WS2, should take place between the CCWG and CWG co-chairs and the SO/AC Chairs/Chartering Organizations. ICANN will facilitate the meeting. *The ICANN Board Operations Team will handle the logistics.*

The following ideas for new additional control mechanisms should be considered:

1. Create a Project Management Office (PMO)
2. Approve additional new expenditures in Tranches
3. Exercise more control on cost incurred by external legal advisors;
4. Consider establishing an annual cap on external legal costs.
5. Set deadlines for receiving input from the chartering organizations and explain that delays are costly.
6. Keep the community informed on monthly basis.

* Strand 3: The ICANN Board should initiate a community discussion on how to replenish the Reserve Fund.

In addition to the above three strands, the BFC has requested from the CCWG co-chairs that a comprehensive cost proposal for Accountability WS2 (including external legal costs, meetings, travel, staff support, etc.) be prepared shortly after the CCWG face to face meeting in Marrakech, where the scope of WS2 will be agreed.

**Date and Purpose of Follow-up Call**

It was agreed that a follow-up call should take place before mid-February. Megan Bishop from the Board Operations Team will set up a new Doodle Poll and will send a link to this same group.

The purpose of the follow-up call is to finalise the estimates as described in Strand 1, and agree how to implement new cost control mechanisms that result from Strand 2.

This follow-up call should take place after Strand 1 and Strand 2 are completed.