**ATRT2 Draft New Recommendations**

In any organization careful considerations about the strategic financial priorities are crucial for the efficiency of the organization. In a non-profit organization as ICANN it is imperative that the financial governance constituted between the CEO, CFO, and the Board make effective use of the checks and balances represented in the multi-stakeholder model to ensure that the financial priorities truly benefit the global Internet community.

To this end, the ATRT2 recommends that, in light of the significant growth in the organization, ICANN undertake a special scrutiny of its financial governance structure regarding its overall principles, methods applied and decision-making procedures, to include engaging stakeholders.

1. The Board should implement new financial procedures in ICANN that can effectively ensure that the ICANN Community, including all SOs and ACs, can participate and assist the ICANN Board in planning and prioritizing the work and development of the organization.

2. As a non-profit organisation operating and delivering services in a non-competitive environment, ICANN should explicitly consider the cost-effectiveness of its operations when preparing its budget for the coming year. This should including how expected increases in the income of ICANN could be reflected in the priority of activities and pricing of services. These considerations should be subject of a separate consultation.

3. As a non-profit organisation, every three years ICANN should conduct a benchmark study on relevant parameters e.g. size of organization, levels of staff compensation and benefits, cost of living adjustments, etc.

4. In order to improve accountability and transparency and facilitate the work of the Review Teams, ICANN’s Board should base the yearly budgets on a multi-annual financial framework [covering e.g. a two- or three-year period] reflecting the planned activities and the corresponding expenses. The following year, a report should be drafted describing the actual implementation of the framework, including activities and the related expenses. This should include specified budgets for the ACs and SOs.66

5. In order to ensure that the budget reflects the views of the ICANN community, the ICANN Board shall improve the budget consultation process by i.e. ensuring that sufficient time is given to the community to provide their views on the proposed budget and enough time for the Board to take into account all input before approving the budget. The budget consultation process shall also include time for an open meeting between the ICANN Board and the Supporting Organizations and Advisory Committees to discuss the proposed budget.

**Public Comment on Draft Recommendations (TBC)**

Responses from the community on the recommendations regarding finances were generally positive.

The Danish Government together with the Egyptian Government comment on the importance of reviewing and improving ICANN’s financial governance and financial accountability and transparency.

The Spanish Government comments “Likewise, we would be more than pleased to participate in the budget consultation process envisaged in section 15. It is as important to have safe sources of income as allocating enough resources to fulfilling strategic objectives of the organization.”

IPC comments “The impression is given that ICANN gives top priority to opening new offices around the world and diving headlong into new policy areas such as Internet governance, without directing sufficient resources to “operational excellence” in the organization’s core business of administering the systems for IP addresses and domain names. The only effective way to dispel this impression is through the types of reforms spelled out in these recommendations, including (as sketched out in the preceding section of these comments) by “ensuring that sufficient time is given to the community to provide their views on the proposed budget and enough time for the Board to take into account all input before approving the budget”.

This comment is well in line with the comments from RySG, Becky Burr, Paul Diaz and Chuck Gomez regarding **recommendation 12.1** financial planning and comment periods:   
  
“We strongly support this recommendation but note that it is very difficult for community members to effectively participate if they don’t receive sufficient detail until after it is too late to make changes. It is easy to claim this goal is met by showing how community members were able to participate at a high level in the process and that is what has been happening for years, but that is not sufficient. The ARTR2 needs to be much more specific in terms of what is expected.” RySG, Becky Burr, Paul Diaz and Chuck Gomez state regarding **recommendation 12.3** Benchmark-studies:  
  
“More detail is needed on this recommendation. What would be the purpose of the study? How would the study be used? Would comparisons with comparable organizations be included in the study? If so, how would comparable organizations be selected? Etc.”

RySG, Becky Burr, Paul Diaz and Chuck Gomez have the following remark to **recommendation 12.4:**“We fully support the second part of this recommendation. It is not clear though whether the first part is realistic; we would be very pleased if it could be done.

Community members who have tried to actively contribute to the process of developing an operating plan and budget for just one year have been repeatedly told that it is not possible to provide detailed budget information until it is too late to make significant changes. In many cases it is not possible to make meaningful contributions without having budget information at the task and sub-task level earlier in the process, so what happens is this: detailed budget information is provided late in the fiscal year, we make comments, but it is too late for any significant changes to made because the Board has to approve the budget before its next fiscal year.”

IPC has the following comment to **recommendation 12.5** “IPC has frequently expressed its concerns about the lack of transparency and accountability in the ICANN budget process and its financial reporting to the community”

IPC continues “Unlike many organizations, both for-profit and not-for-profit, which must face tough decisions about spending priorities in the face of flat or diminishing revenues, ICANN has enjoyed years of increasing revenues. But this makes even more critical the need for a transparent process for setting spending priorities, and an accountability mechanism to ensure that the results of that prioritization process are fulfilled. IPC urges that Recommendation 12 be given a high priority in ATRT-2’s final report, and that achievement of a much higher level of financial accountability and transparency be enshrined as a strategic objective for ICANN over the next few years.

IPC appreciates the recent statements of ICANN board leaders and senior staff supporting

this ATRT-2 recommendation. See ttp://audio.icann.org/meetings/buenosaires2013/board-csg-19nov13-en.mp3 (audio file of ICANN board meeting with Commercial Stakeholder Group in Buenos Aires, November 19, 2013). (An unofficial transcript includes: Cherine Chalaby – “You make an excellent point. You have not seen the strategic plan in its entirety. There will be a five year financial plan inside the strategic plan as well…. We one hundred percent agree with your point and want to raise it even higher to a completely different level.” Fadi Chehadé – “We are hugely upgrading that whole area. We have a new Chief Operating Officer who is focused on that. As Cherine Chalaby said, it is the first time we moving away from expense management to financial planning within ICANN, not just budgeting, and now leaning to true financial reports—the kind you would expect from any organization our size.”)”

**Final Recommendation (TBC)**

In any organization careful considerations about the strategic financial priorities are crucial for the efficiency of the organization. In a non-profit organization as ICANN it is imperative that the financial governance constituted between the CEO, CFO, and the Board make effective use of the checks and balances represented in the multi-stakeholder model to ensure that the financial priorities truly benefit the global Internet community.

To this end, the ATRT2 recommends that, in light of the significant growth in the organization, ICANN undertake a special scrutiny of its financial governance structure regarding its overall principles, methods applied and decision-making procedures, to include engaging stakeholders.

1. The Board should implement new financial procedures in ICANN that can effectively ensure that the ICANN Community, including all SOs and ACs, can participate and assist the ICANN Board in planning and prioritizing the work and development of the organization.

2. As a non-profit organisation operating and delivering services in a non-competitive environment, ICANN should explicitly consider the cost-effectiveness of its operations when preparing its budget for the coming year. This should including how expected increases in the income of ICANN could be reflected in the priority of activities and pricing of services. These considerations should be subject of a separate consultation.

3. As a non-profit organisation, every three years ICANN should conduct a benchmark study on relevant parameters e.g. size of organization, levels of staff compensation and benefits, cost of living adjustments, etc. If the result of the benchmark is that ICANN as an organization is not in line with the standards for the comparing organizations the ICANN Board should consider aligning the deviation. In cases where the board choose not to align this has to be reasoned in the board decision and published to the internet community.

4 In order to improve accountability and transparency ICANN’s Board should base the yearly budgets on a multi-annual strategic plan and corresponding financial framework [covering e.g. a three-year period] This – rolling - plan and framework should reflect the planned activities and the corresponding expenses in that multi-annual period. This should include specified budgets for the ACs and SOs. The following year, a report should be drafted describing the actual implementation of the framework, including activities and the related expenses with a particular focus on the implementation of the yearly budget in question. (Board may choose to request follow-up reports on a quarterly basis.) The report shall be submitted for consultation.

5. In order to ensure that the budget reflects the views of the ICANN community, the ICANN Board shall improve the budget consultation process by i.e. ensuring that sufficient time is given to the community to provide their views on the proposed budget and enough time for the Board to take into account all input before approving the budget. The budget consultation process shall also include time for an open meeting between the ICANN Board and the Supporting Organizations and Advisory Committees to discuss the proposed budget.