**Questions / Approach for addressing input received on Public Comment Question #1**

Question #1 for Public Comment: Do you support the CCWG’s recommendation in relation to the preferred mechanism(s)? If no, please provide your rationale for why not.

**OVERARCHING QUESTION:**

**As a result of input provided during the public comment period, should the CCWG reconsider its recommendation that:**

*The CCWG will finalize this recommendation following its review of public comments and a formal consensus call, but based on the indicative poll results, the CCWG leadership sees a strong direction in favor of mechanism A (An internal department dedicated to the allocation of auction proceeds is created within the ICANN organization), followed by mechanism B (An internal department dedicated to the allocation of auction proceeds is created within the ICANN organization which collaborates with an existing non-profit organization). However, the CCWG leadership notes that a number of members did not participate in the indicative survey so it is possible that the outcome could change as a result of further deliberations, consideration of input received and consultations by the members with their respective appointing organizations. Based on the indicative survey results, the CCWG is expected to recommend that the Board selects a mechanism from the two ultimately top ranked mechanisms by the CCWG, for the disbursement of new gTLD Auction Proceeds. As part of its selection process, the ICANN Board is expected to apply the criteria outlined by the CCWG in section 4.5 of this proposed Final Report for which additional internal and/or external input may be required (such as providing a reliable cost estimate). The ICANN Board is expected to share the outcome of its consideration with the CCWG Chartering Organizations and, if deemed necessary, involve the Chartering Organizations and/or CCWG implementation team in any deliberations that would benefit from Chartering Organization and/or CCWG implementation team input.*

**If yes, why?**

**If no, why not?**

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| **Comment #1 – Sylvia Cadena (APNIC Foundation)** | |
| **Suggestion from Commenter** | Although **I support the plan to recommend to the Board the first 2 ranked mechanisms**, for the Board to decide, however I think the report should disclose how much support each of the two most supported mechanisms received so it is clear which one received more support. It is also critically important is that the Board respects/follows the 3 objectives defined by the CCWG for the use of funds without deviation or modification as listed in section 4.4 and the clarifications provided to the last objective; the criteria listed for selection as described in section 4.5 and the recommendations were consensus was reached as well as the guidelines for implementation described in the report. A clear directive from the Board about adhering to the guidelines and criteria will be paramount for a smooth implementation process. |
| **Leadership recommendation** | * Level of support for each mechanism will be included in the Final Report. * Letter to the Chartering Organizations/Board accompanying the Report shall explain the importance of the guidelines to allow a smooth implementation process. |
| **CCWG discussion / agreement** | Support expressed for Leadership recommendation.  **CCWG Agreement #1: Include level of support for each mechanism in the Final Report.**  **CCWG Agreement #2: Letter to the Chartering Organizations/Board accompanying the Report will explain the importance of the guidelines in a smooth implementation process.** |

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| **Comment #2 – Judith Hellerstein** | |
| **Suggestion from Commenter** | I appreciate the opportunity to comment on the second report on the gTLD Auction Proceeds. I have been following this issue closely. **While I think that Mechanism C, a separate Foundation is the best one, I can understand that it brings extra costs and many of the same advantages are available with Mechanism B.** I strongly believe that having an external department working with an internal department within ICANN is the best choice. Selecting an external organization that has been working in the field of grant disbursal is the best option as this group will have much experience in selecting select projects, disbursement of funds, control of the progress of each project and could hit the ground running while an internal department will take time to get set up and go ahead at running speed. In Mechanism B clearly defined roles and responsibilities will be negotiated between ICANN org and the chosen non-profit to ensure how these roles are carried out operationally. These roles and responsibilities will be contractually based and binding. Additionally, once the money has been spent, then the contract with the external group can be terminated. The ICANN staff assigned to this assignment are fewer and are likely to have additional responsibilities already in ICANN so can go back to doing just those responsibilities.  Mechanism B is the most cost-effective solution and leaves to ICANN the responsibilities of supervising financial control and administrative processes. Additionally, once the money has been spent, then the contract with the external group can be terminated. The ICANN staff assigned to this assignment are fewer and are likely to have additional responsibilities already in ICANN so can go back to doing just those responsibilities. If at any time, ICANN is unhappy with the evaluations of this external group, another group could be selected to take over this role.   In Mechanism B, a suitable existing non-profit organization would already have applicable safeguards in place. A legally binding contract with a non-profit will ensure that the independence of the selection and allocation of resources for identified projects is maintained. Furthermore, once the money has been spent, the contract with the external group can be terminated. The process of terminating hired staff is an expensive and time-consuming prospect  Mechanism A would require an internal (not small) organization to disbursement of funds and the possibility of a conflict of interest is very high. It will also come at a cost, which I feel is much higher in the long run than hiring an external organization as envisioned in Mechanism B. In Mechanism A, ICANN Org could use the Auction funds to run their department according to what they determined was the level of expenditure required with no external oversight. While in Mechanism B, there is external oversight.   I think independence from ICANN Org needs to be our primary concern. I feel that under Mechanism A, there are issues of transparency, trust, accountability, and assurance that funds will not be used for purposes other than the chosen projects and any minimal administrative costs the administration of these funds. Mechanism A also could also create a conflict of interest when funds that are earmarked for philanthropic purposes could possibly be used to support ICANN activities, where budgets exceed their original expectations.  I also support **the creation of a standing committee -renewable at each round of projects and that projects should not be able to request more than 10-20 % of the available funds in each tranche.** This will increase the diversity of the projects that are selected. We feel that this approach will allow for increased transparency and accountability. |
| **Leadership recommendation** | * CCWG to discuss points regarding a standing committee and allocation of funds within each tranche when conducting a final review of the guidelines. |
| **CCWG discussion / agreement** | The Leadership team expressed hesitation about setting a specific limit on the percentage of funds per tranche that could be allocated to a single recipient, noting that flexibility may be beneficial as new considerations come to light. Setting a specific limit may become an artificial barrier to allocating funds in the best way possible. From another perspective, setting a maximum percentage could help ensure that funds reach as many groups as possible. There was not necessarily agreement in the group that it was a goal to fund as many groups as possible, but rather to make the best use of funds. The issue of risk was discussed, and in particular that there may be risks associated with granting a significant percentage of funds to a single project, which could ultimately fail. The CCWG agreed that rather than discussing specific numbers and limits in the Final Report, it would be beneficial to address underlying risks and goals of spreading funds between grant recipients.  The Working Group discussed the concern expressed in this comment that the Report does not specify whether members of the Independent Project Applications Evaluation Panel would serve limited terms or serve for the entire life of the fund allocation period. From one perspective, there should be an opportunity to remove members following a periodic review. It was also raised that it may not be possible or desirable to require panelists to serve for the duration of period in which funds are allocated. From this perspective, no additional text is needed. It was suggested that the Report text could note that best practices should be followed in determining the length of the term that Panelists serve and process for removing/replacing panelists.  **CCWG Agreement #3: Include in the Final Report text related to risks associated with allocating a significant part of a tranche into a single project.**  **CCWG Agreement #4: Leadership team to review the report text and determine if the points raised in discussion regarding length of panelists’ terms is sufficiently covered in the report.** |

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| **Comment #3 - ALAC** | |
| **Suggestion from Commenter** | Discussion  During much of the CCWG Auction Proceeds duration, the ALAC Members and Participants have taken widely disparate positions on which mechanism to select, with support for Mechanisms A, B and C. Ultimately, those in favor of Mechanism C shifted to Mechanism B. There was significant debate on which to finally select. Among the issues noted were:  ● Mechanism B required outsourcing but did not specify exactly what functions would be outsourced (over and above the requirement for all Mechanisms to utilize an independent Evaluation Panel). Moreover over the course of the CCWG discussions, different Members had expressed varying beliefs as to what functions would be outsourced. ● Mechanism A allows outsourcing if viewed as advantageous, and in fact ICANN often outsources parts of its responsibilities which are not core to overseeing its Bylaw-mandated responsibilities. Thus Mechanism A could end up being comparable to Mechanism B, but provided more management flexibility in deciding how the varying aspects of the project would be carried out.  ALAC Decision  While several Members of the ALAC Auction Proceeds team originally preferred Mechanism B where ICANN worked with a non-profit organisation already adept in the evaluation, selection and the allocation and distribution of grant funds, **CONSENSUS WAS ARRIVED AT FOR Mechanism A**. The ALAC notes that presumption of the independent panel, with no connection to or control by either ICANN Org or the ICANN Board (preferably contracted to a suitable non-profit or a set of experts in the field of grant selection and allocation) is a CRITICAL part of this decision and the ALAC would strongly object and withdraw support if that condition changes. |
| **Leadership recommendation** | * No additional action needed, noting that ALAC’s support for mechanism A is contingent on the existence of an Independent Project Applications Evaluation Panel to evaluate and select project applications. |
| **CCWG discussion / agreement** | * CCWG supports leadership’s recommendation that no additional action is needed. |

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| **Comment #4 - RySG** | |
| **Suggestion from Commenter** | In our comments on the CCWG’s Initial Report, the RySG did not express a preference for an individual mechanism, but rather offered some suggestions for the principles that the chosen mechanism should follow. We were encouraged to see that some of those recommendations were reflected in Recommendations #5 and #6 of the Final Report, which describe conflict of interest provisions and auditing requirements, respectively. **At this point, the RySG still does not have a strong preference for the specific mechanism, and therefore does not oppose the CCWG’s Recommendation #1.** |
| **Leadership recommendation** | * No additional action needed, noting RySG’s support of the CCWG’s recommendations. |
| **CCWG discussion / agreement** | * CCWG supports leadership’s recommendation that no additional action is needed. |

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| **Comment #5 - BC** | |
| **Suggestion from Commenter** | The BC recommends that the **final report be amended to require an independent feasibility study to compare the costs of mechanisms A and B and to ensure that the empowered community retains oversight of the disbursement of the auction proceeds.**  The BC is concerned that mechanism A will result in increased costs to ICANN. This concern stems from the requirement in mechanism A that ICANN org build internal resources to choose the grant recipients, in addition to administering the grant making process. We believe that CCWG recommendation #9 supports the proposition that the solution chosen should be cost effective. The BC also notes that on page 12 of the Final Report, ICANN org has provided input that mechanism A (and C) will require increased staffing. Further, the Board’s input, as set out in paragraph 4.6 on page 16 of the Final Report emphasizes the need for an “efficient…mechanism” and “[p]reservation of resources, both of which support, at a minimum, the independent feasibility study proposed by the BC.  The BC’s recommendation is based on the following financial and operational considerations in mechanism B:  • Mechanism B leverages the knowledge of experts in the grant making process, and does not require that expertise to be developed, or acquired, by ICANN org.  • Mechanism B provides ICANN with greater flexibility since it can be scaled up and scaled down quickly. This benefit is important since auction proceeds are limited. Because of this, there will not be a continuing need to have internal staff dedicated to the administration of the disbursal of auction proceeds. Current ICANN staff have the expertise to administer the organizational aspects of Mechanism B.  • Mechanism B provides greater organizational distance between ICANN this helps mitigate risk of an arm-in-arm transaction.  The BC is also **concerned that the final recommendation does not contain sufficient detail to ensure that the empowered community retains the ability to oversee ICANNs proposed budget and the disbursement of the auction proceeds.** In particular, the Empowered Community should retain its ability to enforce accountability mechanisms related to items in the ICANN budget that are proposed to be allocated to grant making activity. The Final Report should also clarify that any changes to the bylaws needed to implement the report are not intended to strip the Empowered Community of its budgetary authority. . .  . . . We believe sending the grant money to a third party professional grant-making organization reflects a much better arm’s length practice in terms of risk management. We also note that ICANN has made it clear that  (a) it does not abrogate oversight responsibility within its limited mission and  (b) it will only be releasing portions of the Auction Proceeds in “tranches” over time. |
| **Leadership recommendation** | * Report already includes discussion of a feasibility study (see page 12 of the proposed Final Report). * Add text to report regarding options for timing of the feasibility study: 1. Board issues the feasibility study before launch of the Implementation Team or 2. Implementation Team conducts feasibility study. * BC to provide clarification on points regarding Empowered Community. |
| **CCWG discussion / agreement** | Clarification was provided that while the BC comments imply that Mechanism A involves increased costs to ICANN org, all costs associated with running the mechanism will come out of the auction proceeds funds. It was also noted that the comment suggests that ICANN will select grant recipients, but the CCWG has made clear that the this will be responsibility of the independent panel.  The CCWG discussed that the comment regarding the role of the Empowered Community needs additional clarification with the BC. CCWG members and ICANN Legal indicated a shared understanding that the EC’s role is limited by the Bylaws and there does not appear to be a defined role for the EC regarding auction proceeds fund allocation. Further, there is nothing currently giving the EC any role to challenge grant decisions. In implementation, it is important that the design does not build in any additional fault points giving the EC the ability to override decisions as it relates to grants. One member suggested that the BC comment simply seeks to confirm that the powers that exist within the EC regarding the overall ICANN budget will not be impacted by work related to auction proceeds.  Regarding the feasibility assessment, the CCWG considered whether to extend the language currently in the report to provide additional guidance of the timing of the feasibility assessment. It was also raised that the term “feasibility assessment” may not be the best terminology to use. A possible alternative would be a “request for information” from potential vendors.  **CCWG Agreement #5: Review language in the Report regarding feasibility assessment to make sure it is clear. Leave it to the Board and Implementation Team to determine how to implement the guidance.**  **CCWG Agreement #6: CCWG to consider whether language in needed regarding limitations on the role of the Empowered Community in allocation of grants and/or whether language is needed to confirm that there will be no impact of auction proceeds work on the powers of the EC.**  **CCWG Agreement #7: Leadership team to clarify with the BC the intent of the comments regarding the Empowered Community.** |

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| **Comment #6 - RrSG** | |
| **Suggestion from Commenter** | **The RrSG prefers mechanism A** as set forth in Recommendation #1 and offers specific comments regarding the following proposed mechanisms and other CCWG Recommendations.  Proposed Mechanisms A-C  1. Mechanism A (Internal ICANN Department) and Mechanism B (ICANN + External Organization)  Both Mechanisms A and B would require the creation of a new department within ICANN Org to perform work that is clearly outside the scope of ICANN Org’s mission. ICANN’s mission is clear: “to ensure the stable and secure operation of the Internet's unique identifier systems.” The RrSG fails to see how grant management falls within that mission.  Further, ICANN Org’s expertise does not lend itself to grant management. While the CCWG points to ICANN Staff’s ability to support public relations, external content, audit, legal, and investment activities, the RrSG suggests that this may be a significant assumption in at least some areas, as the (for example) legal and investment issues ICANN Org must address today are substantially different from that of a grant funding organization. The synergies that could be created by using Mechanism A or B in no way override the fact that these activities are not within ICANN Org’s mission.  The RrSG would also like to point out that ICANN Org’s current mission requires significant work effort from the ICANN Board, ICANN Org, and the entire ICANN community - a work effort that is already strained to maximum capacity and requires continued focus.  Although the RrSG has some reservations about creating another department within ICANN org (and the resulting concerns over inefficiencies or mission creep), if it is done so in a planned and time-limited manner with direct community oversight, Mechanism A is the preferred option of the RrSG. For the reasons detailed below for Mechanism C, the RrSG does not support Mechanism B.  2. Mechanism C (ICANN Foundation)  While Mechanism C would involve creation of a new charitable structure separate from ICANN and additional upfront costs, this option, above all others, most lends itself to protections against self-dealing and will ensure measures are taken to avoid conflict of interest. The very separate mission of this grant management work requires separate governance. Additionally, given the temporary nature of the auction proceeds, having a separate structure will make closing down the structure a more simple process. For example, part of the structure of this separate entity could be that employees are contracted for X period of time and must have expertise in Y. Employees of the new structure should not be current or prior ICANN employees.   The RrSG, however, has concerns that Mechanism C could become a permanent institution, running the risk that it could be subject to capture, bloat, and waste. It should not be a permanent institution, and any recommendation for this should ensure proper safeguards to avoid these undesirable outcomes. |
| **Leadership recommendation** | * No further action needed, noting RrSG’s preference for mechanism A. |
| **CCWG discussion / agreement** | CCWG supports leadership’s recommendation that no additional action is needed. |

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| **Comment #7 - IPC** | |
| **Suggestion from Commenter** | The Proposed Final Report Recommendation #1 states that the CCWG is expected to recommend that the Board select a mechanism from the two “ultimately” top ranked mechanisms determined by the CCWG. An informal poll of the CCWG resulted in the two mechanisms being Mechanism A (An internal department within ICANN that disburses funds in accordance with the CCWG recommendations regarding an Independent Evaluation Panel) and Mechanism B (An internal department within ICANN contracting with an existing non-profit organization administering the grant-making as determined by the recommended Independent Evaluation Panel.) **As between these two mechanisms, the IPC favors Mechanism B** in that this structure will provide easier start-up costs, more expertise in grant-making (expert non-profit organization), ease of “sunsetting” the grant-making process when the capital in the Auction Proceeds Fund is depleted, and far less need to hire additional staff for grant-making purposes, which is likely the single largest expense associated with this effort. Mechanism B provides the opportunity for competitive bidding to supply the grant-making administration services and does not require ICANN to develop this expertise in-house. |
| **Leadership recommendation** | * No further action needed, noting IPC’s preference for mechanism B. |
| **CCWG discussion / agreement** | CCWG supports leadership’s recommendation that no additional action is needed. |

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| **Comment #8 – ICANN Board** | |
| **Suggestion from Commenter** | CCWG-AP MECHANISM RECOMMENDATIONS **The ICANN Board will not be indicating a mechanism preference at this stage**; however, it welcomes the CCWG-AP's approach to provide the Board with two mechanism recommendations for consideration. Upon receipt, the Board will review the recommendations in line with the Board Principles and will rely upon ICANN Org in appropriate collaboration with the implementation shepherds from the CCWG-AP on the details needed to work to provide feasibility information and other implications for both mechanisms. This will be provided to the ICANN Board so that it can carefully consider and make an informed decision upon the eventual mechanism. |
| **Leadership recommendation** | * No further action needed, noting that the Board welcomes the CCWG’s approach but is not indicating a preference for a mechanism at this stage. |
| **CCWG discussion / agreement** | CCWG supports leadership’s recommendation that no additional action is needed. |

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| **Comment #9 - NCSG** | |
| **Suggestion from Commenter** | NCSG comments on the initial report, indicated that mechanism C - A new charitable structure, ICANN Foundation be created which is functionally separate from ICANN org for autonomy purposes, which would be responsible for the allocation of auction proceeds, was a more preferable but for purposes of respecting the consultative processes that led to the final report, **NCSG now supports Mechanism B** - An internal department dedicated to the allocation of auction proceeds is created within the ICANN organization which collaborates with an existing non-profit. We would further recommend that **the selected organisation must be as neutral as possible with experience working with global projects and diverse communities.** |
| **Leadership recommendation** | * No further action needed, noting NCSG’s preference for mechanism B. * CCWG to discuss points regarding neutrality and experience of selected organization when reviewing the guidelines. |
| **CCWG discussion / agreement** | **CCWG Agreement #8: CCWG to discuss points regarding neutrality and experience of selected organization when reviewing the guidelines.** |

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| **Comment #10 - Carl Lundström, Centrabit doo and Centrabit AG** | |
| **Suggestion from Commenter** | a) The interests of the internet users are not met by ICANN exaggerated taxing of users. Positivt technical development will occur with or without 20 MUSD in to your organization.  b) The fact that the proposition does not even primarily serve ICANN but the monetary interests of a few monopolist corporations imply corruption. It should be your first priority to avoid behaviour that implies corruption. |
| **Leadership recommendation** | * These comments appear to be out of scope as they do not specifically relate to the recommendations in the proposed Final Report. No additional action needed. |
| **CCWG discussion / agreement** | CCWG supports leadership’s recommendation that no additional action is needed. |

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| **Comment #11 - Jimmy** | |
| **Suggestion from Commenter** | No, I believe that there's no cause to raise prices, and it will only serve to hurt everyday people. |
| **Leadership recommendation** | * These comments appear to be out of scope as they do not specifically relate to the recommendations in the proposed Final Report. No additional action needed. |
| **CCWG discussion / agreement** | CCWG supports leadership’s recommendation that no additional action is needed. |

# Question #1 for Public Comment

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| **#** | **Comment** | **Contributor** | **Type of change suggested by commenter / Possible action and/or question for CCWG** | **CCWG Response / Action Taken** |
| **Section Summary:**  Question #1 for Public Comment: Do you support the CCWG’s recommendation in relation to the preferred mechanism(s)? If no, please provide your rationale for why not.    Overview of Comments: Responses provided different perspectives on the CCWG’s recommendation in relation to the preferred mechanism(s). Some responses stated that they support the CCWG’s approach of recommending two possible mechanisms to the ICANN Board. Some comments stated that mechanism A was their preferred mechanism. Other comments expressed that mechanism B was preferred. One comment expressed that mechanism C was preferred. Some comments offered additional considerations to take into account as a final decision is made on the mechanisms. | | | | |
|  | Although **I support the plan to recommend to the Board the first 2 ranked mechanisms**, for the Board to decide, however I think the report should disclose how much support each of the two most supported mechanisms received so it is clear which one received more support. It is also critically important is that the Board respects/follows the 3 objectives defined by the CCWG for the use of funds without deviation or modification as listed in section 4.4 and the clarifications provided to the last objective; the criteria listed for selection as described in section 4.5 and the recommendations were consensus was reached as well as the guidelines for implementation described in the report. A clear directive from the Board about adhering to the guidelines and criteria will be paramount for a smooth implementation process. | Sylvia Cadena, APNIC Foundation | CCWG to consider providing additional information about the level of support received for the two most supported mechanisms in the Final Report. | New Idea Support  **Proposed CCWG Response:**  **Action Taken:** None at this time  [**COMPLETED / NOT COMPLETED**] – [Instruction of what was done.] |
|  | I appreciate the opportunity to comment on the second report on the gTLD Auction Proceeds. I have been following this issue closely. **While I think that Mechanism C, a separate Foundation is the best one, I can understand that it brings extra costs and many of the same advantages are available with Mechanism B.** I strongly believe that having an external department working with an internal department within ICANN is the best choice. Selecting an external organization that has been working in the field of grant disbursal is the best option as this group will have much experience in selecting select projects, disbursement of funds, control of the progress of each project and could hit the ground running while an internal department will take time to get set up and go ahead at running speed. In Mechanism B clearly defined roles and responsibilities will be negotiated between ICANN org and the chosen non-profit to ensure how these roles are carried out operationally. These roles and responsibilities will be contractually based and binding. Additionally, once the money has been spent, then the contract with the external group can be terminated. The ICANN staff assigned to this assignment are fewer and are likely to have additional responsibilities already in ICANN so can go back to doing just those responsibilities.  Mechanism B is the most cost-effective solution and leaves to ICANN the responsibilities of supervising financial control and administrative processes. Additionally, once the money has been spent, then the contract with the external group can be terminated. The ICANN staff assigned to this assignment are fewer and are likely to have additional responsibilities already in ICANN so can go back to doing just those responsibilities. If at any time, ICANN is unhappy with the evaluations of this external group, another group could be selected to take over this role.   In Mechanism B, a suitable existing non-profit organization would already have applicable safeguards in place. A legally binding contract with a non-profit will ensure that the independence of the selection and allocation of resources for identified projects is maintained. Furthermore, once the money has been spent, the contract with the external group can be terminated. The process of terminating hired staff is an expensive and time-consuming prospect  Mechanism A would require an internal (not small) organization to disbursement of funds and the possibility of a conflict of interest is very high. It will also come at a cost, which I feel is much higher in the long run than hiring an external organization as envisioned in Mechanism B. In Mechanism A, ICANN Org could use the Auction funds to run their department according to what they determined was the level of expenditure required with no external oversight. While in Mechanism B, there is external oversight.   I think independence from ICANN Org needs to be our primary concern. I feel that under Mechanism A, there are issues of transparency, trust, accountability, and assurance that funds will not be used for purposes other than the chosen projects and any minimal administrative costs the administration of these funds. Mechanism A also could also create a conflict of interest when funds that are earmarked for philanthropic purposes could possibly be used to support ICANN activities, where budgets exceed their original expectations.  I also support the creation of a standing committee -renewable at each round of projects and that projects should not be able to request more than 10-20 % of the available funds in each tranche. This will increase the diversity of the projects that are selected. We feel that this approach will allow for increased transparency and accountability. | Judith Hellerstein, submitted in her individual capacity | CCWG to consider whether points raised regarding mechanisms A, B, and C influence the CCWG’s perspective on the relative merits of these mechanisms.  CCWG to consider the suggestion that “projects should not be able to request more than 10-20 % of the available funds in each tranche.” | Concerns New Idea  **Proposed CCWG Response:**  **Action Taken:** None at this time  [**COMPLETED / NOT COMPLETED**] – [Instruction of what was done.] |
|  | Discussion  During much of the CCWG Auction Proceeds duration, the ALAC Members and Participants have taken widely disparate positions on which mechanism to select, with support for Mechanisms A, B and C. Ultimately, those in favor of Mechanism C shifted to Mechanism B. There was significant debate on which to finally select. Among the issues noted were:  ● Mechanism B required outsourcing but did not specify exactly what functions would be outsourced (over and above the requirement for all Mechanisms to utilize an independent Evaluation Panel). Moreover over the course of the CCWG discussions, different Members had expressed varying beliefs as to what functions would be outsourced. ● Mechanism A allows outsourcing if viewed as advantageous, and in fact ICANN often outsources parts of its responsibilities which are not core to overseeing its Bylaw-mandated responsibilities. Thus Mechanism A could end up being comparable to Mechanism B, but provided more management flexibility in deciding how the varying aspects of the project would be carried out.  ALAC Decision  While several Members of the ALAC Auction Proceeds team originally preferred Mechanism B where ICANN worked with a non-profit organisation already adept in the evaluation, selection and the allocation and distribution of grant funds, **CONSENSUS WAS ARRIVED AT FOR Mechanism A**. The ALAC notes that presumption of the independent panel, with no connection to or control by either ICANN Org or the ICANN Board (preferably contracted to a suitable non-profit or a set of experts in the field of grant selection and allocation) is a CRITICAL part of this decision and the ALAC would strongly object and withdraw support if that condition changes. | ALAC | CCWG to consider whether the considerations raised regarding mechanism A and B are sufficiently covered in the Final Report. | Support  **Proposed CCWG Response:**  **Action Taken:** None at this time  [**COMPLETED / NOT COMPLETED**] – [Instruction of what was done.] |
|  | In our comments on the CCWG’s Initial Report, the RySG did not express a preference for an individual mechanism, but rather offered some suggestions for the principles that the chosen mechanism should follow. We were encouraged to see that some of those recommendations were reflected in Recommendations #5 and #6 of the Final Report, which describe conflict of interest provisions and auditing requirements, respectively. **At this point, the RySG still does not have a strong preference for the specific mechanism, and therefore does not oppose the CCWG’s Recommendation #1.** | RySG | No additional action needed. | Support  **Proposed CCWG Response:**  **Action Taken:** None at this time  [**COMPLETED / NOT COMPLETED**] – [Instruction of what was done.] |
|  | The BC recommends that the **final report be amended to require an independent feasibility study to compare the costs of mechanisms A and B and to ensure that the empowered community retains oversight of the disbursement of the auction proceeds.**  The BC is concerned that mechanism A will result in increased costs to ICANN. This concern stems from the requirement in mechanism A that ICANN org build internal resources to choose the grant recipients, in addition to administering the grant making process. We believe that CCWG recommendation #9 supports the proposition that the solution chosen should be cost effective. The BC also notes that on page 12 of the Final Report, ICANN org has provided input that mechanism A (and C) will require increased staffing. Further, the Board’s input, as set out in paragraph 4.6 on page 16 of the Final Report emphasizes the need for an “efficient…mechanism” and “[p]reservation of resources, both of which support, at a minimum, the independent feasibility study proposed by the BC.  The BC’s recommendation is based on the following financial and operational considerations in mechanism B:  • Mechanism B leverages the knowledge of experts in the grant making process, and does not require that expertise to be developed, or acquired, by ICANN org.  • Mechanism B provides ICANN with greater flexibility since it can be scaled up and scaled down quickly. This benefit is important since auction proceeds are limited. Because of this, there will not be a continuing need to have internal staff dedicated to the administration of the disbursal of auction proceeds. Current ICANN staff have the expertise to administer the organizational aspects of Mechanism B.  • Mechanism B provides greater organizational distance between ICANN this helps mitigate risk of an arm-in-arm transaction.  The BC is also **concerned that the final recommendation does not contain sufficient detail to ensure that the empowered community retains the ability to oversee ICANNs proposed budget and the disbursement of the auction proceeds.** In particular, the Empowered Community should retain its ability to enforce accountability mechanisms related to items in the ICANN budget that are proposed to be allocated to grant making activity. The Final Report should also clarify that any changes to the bylaws needed to implement the report are not intended to strip the Empowered Community of its budgetary authority. . .  . . . We believe sending the grant money to a third party professional grant-making organization reflects a much better arm’s length practice in terms of risk management. We also note that ICANN has made it clear that  (a) it does not abrogate oversight responsibility within its limited mission and  (b) it will only be releasing portions of the Auction Proceeds in “tranches” over time. | BC | CCWG to consider the suggestion that the “final report be amended to require an independent feasibility study to compare the costs of mechanisms A and B and to ensure that the empowered community retains oversight of the disbursement of the auction proceeds.”  CCWG to consider whether points raised regarding mechanisms A and B influence the CCWG’s perspective on the relative merits of these mechanisms.  CCWG to consider whether the final recommendations contain sufficient detail to ensure that the empowered community retains the ability to oversee ICANN’s proposed budget and the disbursement of the auction proceeds.  THEME: EMPOWERED COMMUNITY | Concerns New Idea  **Proposed CCWG Response:**  **Action Taken:** None at this time  [**COMPLETED / NOT COMPLETED**] – [Instruction of what was done.] |
|  | **The RrSG prefers mechanism A** as set forth in Recommendation #1 and offers specific comments regarding the following proposed mechanisms and other CCWG Recommendations.  Proposed Mechanisms A-C  1. Mechanism A (Internal ICANN Department) and Mechanism B (ICANN + External Organization)  Both Mechanisms A and B would require the creation of a new department within ICANN Org to perform work that is clearly outside the scope of ICANN Org’s mission. ICANN’s mission is clear: “to ensure the stable and secure operation of the Internet's unique identifier systems.” The RrSG fails to see how grant management falls within that mission.  Further, ICANN Org’s expertise does not lend itself to grant management. While the CCWG points to ICANN Staff’s ability to support public relations, external content, audit, legal, and investment activities, the RrSG suggests that this may be a significant assumption in at least some areas, as the (for example) legal and investment issues ICANN Org must address today are substantially different from that of a grant funding organization. The synergies that could be created by using Mechanism A or B in no way override the fact that these activities are not within ICANN Org’s mission.  The RrSG would also like to point out that ICANN Org’s current mission requires significant work effort from the ICANN Board, ICANN Org, and the entire ICANN community - a work effort that is already strained to maximum capacity and requires continued focus.  Although the RrSG has some reservations about creating another department within ICANN org (and the resulting concerns over inefficiencies or mission creep), if it is done so in a planned and time-limited manner with direct community oversight, Mechanism A is the preferred option of the RrSG. For the reasons detailed below for Mechanism C, the RrSG does not support Mechanism B.  2. Mechanism C (ICANN Foundation)  While Mechanism C would involve creation of a new charitable structure separate from ICANN and additional upfront costs, this option, above all others, most lends itself to protections against self-dealing and will ensure measures are taken to avoid conflict of interest. The very separate mission of this grant management work requires separate governance. Additionally, given the temporary nature of the auction proceeds, having a separate structure will make closing down the structure a more simple process. For example, part of the structure of this separate entity could be that employees are contracted for X period of time and must have expertise in Y. Employees of the new structure should not be current or prior ICANN employees.   The RrSG, however, has concerns that Mechanism C could become a permanent institution, running the risk that it could be subject to capture, bloat, and waste. It should not be a permanent institution, and any recommendation for this should ensure proper safeguards to avoid these undesirable outcomes. | RrSG | CCWG to consider whether the considerations raised regarding mechanisms A, B, and C are sufficiently covered in the Final Report. | Support Concerns  **Proposed CCWG Response:**  **Action Taken:** None at this time  [**COMPLETED / NOT COMPLETED**] – [Instruction of what was done.] |
|  | The Proposed Final Report Recommendation #1 states that the CCWG is expected to recommend that the Board select a mechanism from the two “ultimately” top ranked mechanisms determined by the CCWG. An informal poll of the CCWG resulted in the two mechanisms being Mechanism A (An internal department within ICANN that disburses funds in accordance with the CCWG recommendations regarding an Independent Evaluation Panel) and Mechanism B (An internal department within ICANN contracting with an existing non-profit organization administering the grant-making as determined by the recommended Independent Evaluation Panel.) **As between these two mechanisms, the IPC favors Mechanism B** in that this structure will provide easier start-up costs, more expertise in grant-making (expert non-profit organization), ease of “sunsetting” the grant-making process when the capital in the Auction Proceeds Fund is depleted, and far less need to hire additional staff for grant-making purposes, which is likely the single largest expense associated with this effort. Mechanism B provides the opportunity for competitive bidding to supply the grant-making administration services and does not require ICANN to develop this expertise in-house. | IPC | CCWG to consider whether points raised regarding mechanism B influence the CCWG’s perspective on the relative merits of this mechanisms. | Support Concerns  **Proposed CCWG Response:**  **Action Taken:** None at this time  [**COMPLETED / NOT COMPLETED**] – [Instruction of what was done.] |
|  | CCWG-AP MECHANISM RECOMMENDATIONS **The ICANN Board will not be indicating a mechanism preference at this stage**; however, it welcomes the CCWG-AP's approach to provide the Board with two mechanism recommendations for consideration. Upon receipt, the Board will review the recommendations in line with the Board Principles and will rely upon ICANN Org in appropriate collaboration with the implementation shepherds from the CCWG-AP on the details needed to work to provide feasibility information and other implications for both mechanisms. This will be provided to the ICANN Board so that it can carefully consider and make an informed decision upon the eventual mechanism. | ICANN Board | No additional action needed. | Support  **Proposed CCWG Response:**  **Action Taken:** None at this time  [**COMPLETED / NOT COMPLETED**] – [Instruction of what was done.] |
|  | NCSG comments on the initial report, indicated that mechanism C - A new charitable structure, ICANN Foundation be created which is functionally separate from ICANN org for autonomy purposes, which would be responsible for the allocation of auction proceeds, was a more preferable but for purposes of respecting the consultative processes that led to the final report, **NCSG now supports Mechanism B** - An internal department dedicated to the allocation of auction proceeds is created within the ICANN organization which collaborates with an existing non-profit. We would further recommend that **the selected organisation must be as neutral as possible with experience working with global projects and diverse communities.** | NCSG | CCWG to consider whether points raised regarding mechanism B influence the CCWG’s perspective on the relative merits of this mechanisms.  CCWG to consider whether points raised about a potential partner organization require further discussion and/or incorporation into the Final Report. | Support Concerns  **Proposed CCWG Response:**  **Action Taken:** None at this time  [**COMPLETED / NOT COMPLETED**] – [Instruction of what was done.] |
|  | a) The interests of the internet users are not met by ICANN exaggerated taxing of users. Positivt technical development will occur with or without 20 MUSD in to your organization.  b) The fact that the proposition does not even primarily serve ICANN but the monetary interests of a few monopolist corporations imply corruption. It should be your first priority to avoid behaviour that implies corruption. | Carl Lundström, Centrabit doo and Centrabit AG | These comments appear to be out of scope as they do not specifically relate to the recommendations in the proposed Final Report. No additional action needed. | Concerns  **Proposed CCWG Response:**  **Action Taken:** None at this time  [**COMPLETED / NOT COMPLETED**] – [Instruction of what was done.] |
|  | No, I believe that there's no cause to raise prices, and it will only serve to hurt everyday people. | Jimmy | These comments appear to be out of scope as they do not specifically relate to the recommendations in the proposed Final Report. No additional action needed. | Concerns  **Proposed CCWG Response:**  **Action Taken:** None at this time  [**COMPLETED / NOT COMPLETED**] – [Instruction of what was done.] |