BACKGROUND

After significant efforts on behalf of many people, in August 1999 a letter of agreement was signed between six organizations (AHCIET, CABASE, ECOMLAC, ENRED, NIC BRASIL, and NIC MEXICO) with important presence in the Internet area within Latin America, with the aim of establishing a Regional Internet Registry for the region of Latin America and the Caribbean. A Board of Directors made up of representatives of the six organizations was formed, and at the same time LACNIC's planning began, and external relations both with ARIN (American Registry for Internet Numbers) as well as with other Registries (RIPE and APNIC) and with ICANN (Internet Corporation for Assigned Names and Numbers) were undertaken.

On September 30, 2000, the Board of Directors made important decisions, among them the conclusion of LACNIC's bylaws, the establishment of LACNIC in Montevideo, Uruguay, and the signing of two important cooperation agreements with NIC Brazil and NIC Mexico.

In December 2000, during LACNIC's first public meeting, LACNIC I, held in Buenos Aires - Argentina, ARIN made public a letter in support of the creation of LACNIC.

In July 2001, LACNIC and ARIN agreed on the details of the transition plan, the aim of which was to transfer to LACNIC the authority on IP address blocks and ASN numbers allocated within the area covered by LACNIC and the beginning of its operation as an independent Registry.

In August 2001, the training program relating to the Registration Service began, while Engineers started to study the transition in detail.

In October 2001, ARIN and LACNIC came to a final agreement on the area that would be covered by LACNIC and during its second public meeting, LACNIC II, held in Sao Paulo - Brazil, LACNIC formally presented its request to be recognized by ICANN.

On November 13, 2001, LACNIC’s Hostmaster began actively participating in the analysis of the applications received by ARIN corresponding to Latin America.

RECOGNITION OF LACNIC

One of LACNIC's most important achievements during 2002, if not the most important achievement of all, was the recognition received from ICANN on October 31, 2002 during ICANN's Shanghai meeting. This recognition has not only allowed us to definitely become the 4th
Regional Internet Registry existing worldwide; it is also important because it had the explicit support of ARIN, organization that was naturally closest to the process, and of other Registries (APNIC and RIPE) that permanently evidenced their support of the process.

In March 2002, the ICANN Board, during its meeting in Ghana, approved a primary recognition of LACNIC, implicitly supporting the transition process from ARIN to LACNIC that was presented at the public forum during this event.

On April 7, 2002, during an ARIN meeting, all the members of LACNIC's Board of Directors met in Las Vegas with the three principal members of ICANN's staff, M. Stuart Lynn, Louis Touton and Andrew McLaughlin, and with ARIN's CEO, Ray Plzak. During this meeting the necessary steps to undergo the final stages of the transition process were detailed.

In July 2002, in Bucharest, a meeting was held between Raul Echeberria, Ray Plzak and M. Stuart Lynn in order to inform Mr. Lynn on how the process was progressing and, finally, a final meeting was held on October 29, 2002, in Shanghai with the same participants, before the final transition report was presented for the consideration of ICANN's public forum.

As to the relationships between LACNIC and ARIN, in addition to all the meetings on specific subjects which will be detailed in the following chapters, it is important to note that ARIN and LACNIC CEOs personally met nine times during 2002, and maintained multiple telephone and e-mail contacts during the year. Before traveling to Shanghai, Ray Plzak visited Montevideo and Sao Paulo in order to make a final evaluation of the progress of the transition process before presenting his final report to ICANN. As this report was satisfactory, it represented a fundamental element for receiving the organization's final approval.

TRANSPORT PROCESS

Naturally, 2002 was the year of the transition. From the beginning of the year, joint tasks between ARIN and LACNIC's engineers were resumed, also with strong participation of those responsible for the Registration Services.

Joint tasks started to be carried out as of the beginning of the year. Frederico Neves, responsible for Engineering, and Ricardo Patara, Registration Service Manager, had the opportunity to meet their ARIN counterparts during the NANOG meeting held in February 2002, and they participated in the IETF meeting held in Toronto during which a RIR coordination meeting was held. These two meetings were very important for the advancement of the transition plans.

On June 13 the main staff members of ARIN and LACNIC met in Montevideo and outlined the main aspects of the final transition stages. During this meeting it was agreed that as of July 30 LACNIC would begin to directly take charge of the Registration Service, continuing with ARIN's supervision until receiving final recognition from ICANN.

This implied intense effort for the preparation of all the information that would be included on LACNIC's website, forms, policies and procedures, and all the information corresponding to the state of the transition process. All the information was made available on-line simultaneously in the three languages LACNIC works with: Spanish, English and Portuguese.

All members of LACNIC's team were actively involved in this task. LACNIC's Webmaster, Lucas Graciano, did a very good job, maintaining the key identifying aspects of the website while at the same time providing a flexible and useful structure.
LACNIC's staff received the necessary support from their ARIN peers in order to successfully initiate the process not only of application analysis, as was already being done as of November 2001, but also in relation to allocation decisions.

At the same time, on the same date, LACNIC took charge of maintaining the information on its own system and updating the whois information, as well as the Whois service itself and the Inverse Resolution services for block 200 /8. This block was the object of the transition, based on the assumption that all allocations made by ARIN within the Latin American region were made within this block.

This work methodology was maintained until the end of the process. The design of the transition process made it possible that, when LACNIC received final recognition on the part of ICANN/IANA, all that was necessary was to sign the documents between ARIN and LACNIC confirming the transference of the authority on resources already transferred in practice. These documents were signed on November 11, 2002, in Mexico City during the course of LACNIC III. The transference of authority came into effect on November 18, 2002, date on which we can assure that the transition process ended completely and successfully.

ENGINEERING

As part of the cooperation agreements between LACNIC and NIC Brazil (Brazilian Internet Steering Committee), from the beginning NIC Brazil's Engineering department has been in charge of LACNIC's Engineering area. As leader of NIC Brazil's Engineering group, Frederico Neves, has acted as LACNIC's Chief Technical Officer.

Since the year 2000, when this decision was made, it was decided that the system developed and used by NIC Brazil would be used for LACNIC, once all the necessary modifications were introduced.

In 2002, the Engineering team complied with all scheduled timetables. At the beginning of the year the first database views were exchanged with the ARIN team. Naturally, data structures were different and therefore many decisions had to be made during the process.

All decisions were made based on the Engineering team's recommendations and with the participation of the Executive Director and the Register Service Manager. When decisions had other implications as to the format or quality of the data, those in charge of the Administrative-Accounting area and the Membership area also participated.

The Board of Directors was permanently informed of the evolution of the technical aspects of the transition.

It is important to point out that on July 30 all aspects relating to the Engineering area were ready, and tasks began absolutely smoothly, without important inconveniences. From that moment to date we have continued working on numerous improvements for the system, but without inconveniencing the users.

The Engineering team has also been involved in the ERX project (EARLY REGISTRATION TRANSFER PROJECT), which is a joint project of the RIRs to transfer to the corresponding region's Registry administration those resources that were allocated before ARIN's creation in
December 1997. ARIN inherited the database containing this information at the time of its creation, as well as the responsibility of updating this information.

The Engineering team maintains updated information on the evolution of this Project on LACNIC’s webpage.

Another important point of note is the Engineering area’s constant participation in international forums such as IETF, coordination with other RIRs and NANOG, all of which has generated important feedback for LACNIC.

Relationships between the Engineering area and other areas of the organization and the Executive Management have been excellent.

REGISTRATION SERVICES

During 2002, the Registration Service consisted of only one person, Ricardo Patara, responsible for the area. Other members of the staff have provided their collaboration on specific issues, but basically the work was concentrated in the hands of Ricardo Patara.

The Registration Service efficiency was very high, and the average process duration times were kept within the range defined as acceptable. Communication with users has been carried out in all three languages, with a more than acceptable quality level.

During 2002, allocation of the following resources was approved:

- The equivalent of 2581 /24 IPv4 blocks corresponding to 79 approved applications.
- 2 /32 IPv6 blocks.
- 86 ASN.

Relationships between the Engineering area and other areas of the organization and the Executive Management have been excellent, and this has enabled the optimization of processes, improving information formats, increasing the efficiency of billing and collection processes, and working on numerous improvements both in relation to the systems as well as to website content and interfaces.

MEMBERSHIP

Adriana Rivero is in charge of the Membership area. During 2002 we worked intensely on improving the quality of information relating to LACNIC member organizations and their representatives. This task has been carried out in close collaboration with the administrative and Registration Service areas.

Adriana Rivero was in charge of the website from the content point of view, working jointly with the Webmaster.

During LACNIC III the first public election of representatives to ASO Address Council was held. The entire process, from the announcement, nomination, and supporting comments to the election, was conducted by this area and carried out based on the best practices implemented by other Registries. The process was highly transparent and successful.
Adriana Rivero was also in charge of organizing LACNIC III.

At the moment of LACNIC’s recognition, this organization received the transfer of resources allocated by ARIN to Latin American organizations. LACNIC's attitude from the membership viewpoint was to recognize the membership rights of these organizations, in addition to those organizations to which new resources were allocated.

**COOPERATION**

As mentioned earlier, during the year 2000 LACNIC signed two cooperation agreements with the two preexisting national registries in the region, NIC Brazil and NIC Mexico. From the start these organizations were important promoters of the creation of LACNIC.

Basically, these agreements implied that:

NIC Brazil would support LACNIC free of charge during the first two years, taking charge of those tasks corresponding to operative aspects of the Registration Service area.

NIC Mexico would support LACNIC in designing training programs and putting them into practice.

Both agreements have been highly positive and have extended beyond what was initially foreseen.

NIC Brazil has provided necessary equipment, application hosting services, customized system development, staff necessary for the Registration Service and Webmaster. In addition, it has contributed the trips made by the staff that is currently stationed at its Sao Paulo office and the trips made by LACNIC Director Hartmut Glaser, thus relieving LACNIC's expenditures.

An estimated value of NIC Brazil's collaboration indicates that during the year 2002 this contribution was equivalent to approximately U$S 175,000.

NIC Mexico has contributed the training programs, but has also contributed significantly in other areas such as financing practically all of the LACNIC III meeting held during November 2002 in Mexico City, financing trips made by LACNIC Director German Valdez and dedicating significant amounts of time on the part of German Valdez who has acted as policy Liaison and has conducted LACNIC's policy development processes.

An estimated value of NIC Mexico's collaboration indicates that during the year 2002 this contribution was equivalent to approximately U$S 70,000.

The cooperation agreements have worked perfectly well within LACNIC's institutional framework and, despite the fact that important functions have been outsourced, LACNIC's Executive Management and Board of Directors have always been in charge and control.

**MEETINGS**

In November 2002 LACNIC’s third annual meeting, LACNIC III, was held in Mexico City. As mentioned in the foregoing item, this meeting was held with the support of NIC Mexico both from an economic point of view as well as an organizational point of view.
LACNIC III was a particularly important meeting due to the fact that, although it was LACNIC’s third annual meeting, this was the first meeting to be held after LACNIC was officially recognized as the fourth existing Regional Internet Registry.

During LACNIC III the first set of LACNIC’s own policies were approved. During this event the first policy development cycle was concluded. Four work groups had previously been formed, and their proposals were presented prior to the meeting. Approximately 100 persons participated during the course of the event. Participation of visitors from other registries and from ICANN was very significant. The level of discussion was highly satisfactory, as were all aspects relating to the meeting’s organization.

WEBSITE

During 2002 LACNIC’s website underwent a deep conceptual change. Before becoming a service organization, the website focused on showing LACNIC’s institutional profile and information on LACNIC’s creation process. During 2000 we faced the challenge of turning the web server into a service tool. Very important and positive achievements have been made in this direction. LACNIC’s Webmaster, Lucas Graciano, has had an important level of communication with all the areas of the organization; this has allowed each area’s requirements to be speedily implemented on the website. The website is updated in the three languages LACNIC works with and in practically all cases information is updated simultaneously in all three languages.

FACILITIES

Until May 2002 LACNIC’s work was “virtual” to a great extent. We had already begun working in the Engineering and Registration Service areas; these tasks were carried out under the sponsorship of NIC Brazil at its Sao Paulo facilities. Some meetings that had been held in Montevideo were scheduled at the facilities of the “Red Academica Uruguaya”, University of the Republic of Uruguay.

In May 2002 LACNIC sublet space within the offices of a technology company in Montevideo, Uruguay. This allowed us to have a space of our own, approximately 13 square meters, some shared facilities, our own telephone line and an Internet connection of good speed.

Up to four persons worked in this reduced area. The original plan was to continue at those facilities until March or April 2003, but due to savings generated during 2002, the result of austere management, the Board of Directors authorized the expenditures necessary to install a new LACNIC office long before it was scheduled. The new facilities, which include approximately 140 square meters of usable space including four working environments and a meeting room, were opened on December 19, 2002. The current facilities are leased, and it is foreseen that they will be suitable for LACNIC’s needs until the year 2005.

STAFF

In April 2002 the first person in charge of LACNIC’s budget was hired. Prior to that we had the Registration Service staff and the Webmaster thanks to the sponsorship of NIC Brazil. The person that was hired was Accountant Irene Suffia, who as of that date has been responsible for the Administrative Financial area.
Until that moment management tasks were undertaken jointly by the Board of Directors, and mainly by the President of the Board, Raul Echeberria.

In April 2002 the Board of Directors decided that Raul Echeberria should temporarily assume the responsibilities of Executive Management.

In July 2002 Adriana Rivero joined LACNIC's staff, and she took charge of the Membership Services area and also temporarily took upon herself the general tasks of the Secretariat.

In November 2002 LACNIC hired a person with a technical background, Pablo Allietti, who is responsible for LACNIC's technical support in Montevideo, works on some new projects in the Engineering area and is also responsible for the technical aspects of LACNIC events.

In December 2002 LACNIC published a request for applicants for the position of General Assistant and Secretary, position that will be filled during the first quarter of 2003.

In November 2002 the Board of Directors asked Raul Echeberria to be Executive Director and CEO, not temporarily as before but effectively. Raul Echeberria took charge of these functions as of November 15, 2002.

As of December 31, 2002, LACNIC's staff is made up by:

- Raul Echeberria - Executive Director /CEO.
- Ricardo Patara (*) - Registration Service Manager.
- Irene Suffia - Administration and Finance Manager.
- Adriana Rivero - Member Services
- Pablo Allietti - Technical Support and Engineering.
- Lucas Graciano (*) - Webmaster.

As previously mentioned, in addition to these persons LACNIC has the support of the Engineering team of NIC Brazil, led by Frederico Neves.

(*) – These persons work at the facilities lent to LACNIC by NIC Brazil in the city of Sao Paulo under the cooperation agreement signed between these organizations.

**ECONOMIC AND FINANCIAL ASPECTS**

Until March 2002, LACNIC was an organization financed through the voluntary work of its members and the contribution of the founding organizations. Even some trips were the product of invitations from organizers or were financed by the person who would travel.

In March 2002 LACNIC and ARIN signed an agreement whereby LACNIC would receive a percentage of ARIN’s income from the region covered by LACNIC. In this agreement those resources allocated during 2001 were included.

This agreement was of the utmost importance and, in combination with the cooperation agreements described in previous paragraphs, made it possible to find a model for LACNIC that was sustainable during the transition process.
The first transfers from ARIN to LACNIC became effective in April 2002, moment when LACNIC began administrating its own resources.

As shown in the balance sheet corresponding to the year 2002, transfers from ARIN to LACNIC for the aforementioned concept totaled U$S 146,985.31.

The expenditure budget for the year 2002 was approved by the Board on April 7, 2002, for a total of U$S 150,411.75 which was the income estimation for the same year.

The budget outturn was within the expected range, totaling 100.07%. (Budget outturn report attached.) Income was greater than expected as the total income for the year 2002 was U$S 225,201.31.

The balance sheet for 2002 was closed during the first days of January. By resolution of the Board of Directors, the auditing company Ernst & Young was hired. This company audited LACNIC's financial statements as of December 31, 2002.

The auditor's report does not include any observation in relation to the procedures used or the figures presented in the financial statements. LACNIC's Control Organ analyzed this report, and the Control Organ's report was also favorable.

**BOARD OF DIRECTORS**

The Board of directors functioned correctly during 2002. Meetings were held with the anticipated regularity (monthly meetings) and in compliance with all corresponding regulatory aspects.

The Board of Directors was chaired by Raul Echeberria until the month of November, when he was appointed Executive Director / CEO of LACNIC.

At that time the Board of Directors unanimously appointed Oscar Messano as President of the Board and Hartmut Glaser was appointed Treasurer in replacement of Oscar Messano, who up to that moment had occupied the position.