LACNIC

For yet another year I have had the honor of presiding LACNIC's Board of Directors. It is highly satisfying to see how, through the few years since its creation, LACNIC has not only consolidated itself as an organization but also continues on a path of constant growth. And this growth is reflected in concrete benefits for the communities that are part of LACNIC.

Our organization has more than fulfilled the role for which it was created, not only by achieving its main objectives but also by playing a leading role in the promotion of Internet and ICT development within the region.

This year, once again, elections have been held for the partial renewal of the Board of Directors, with a high level of participation. The rotation within the Board of Directors Consolidates LACNIC's democratic processes, which is another great satisfaction.

The relationship between the Directors and the staff of LACNIC is excellent; there is a clear understanding of each person's specific role, and this has allowed an efficient functioning both at the level of the Board of Directors as well as at the level of the Executive Director. The members of the Board of Directors have worked in a very satisfactory manner, even meeting more times than required by the bylaws and assuming the task of institutional representation before different fora on many occasions.

As can be seen in this report, LACNIC's results for this year are very promising, the result of good management and prudent administration of funds. The results are also pleasing from the operational point of view, both in relation to the measurement of quality of services as well as in relation to the different projects that have been undertaken. For this reason I congratulate our staff on the achievements that have been accomplished this year.

During this period, the Board of Directors, together with the staff of LACNIC, began a strategic planning process which will surely bring about positive impacts in the short and medium term. I would like to highlight the workshop on strategic planning that was held in Montevideo during the month of March, within the framework of LACNIC VI, with the presence of outstanding participants not only

from our regional community but also from other regions. This workshop was very useful in providing a more general vision for the future, which will no doubt facilitate our own planning process.

On the international level I would like to highlight three important facts. One of these facts is the concretion among the RIRs (Regional Internet Registries) of the agreement for the creation of the NRO (Number Resource Organization), which represents a truly transcendental step within the IP addressing community.

Another major fact is the provisional recognition recently obtained by AfriNIC, which will allow AfriNIC to become the fifth Regional Internet Registry during the early months of 2005. This is an extremely important achievement not only for the African community but also for the entire NRO and the Internet community in general.

Finally, the election of our Executive Director, Raúl Echeberría, as member of the Working Group on Internet Governance, formed by the UN Secretary General, represents not only a recognition of his personal merits but also a great recognition of LACNIC and of LACNIC's involvement within the international discussion processes.

In short, this has been yet another great year in the brief history of LACNIC. It is up to all of us to make sure that the years to come are even better.

Oscar A. Messano
President of the Board of Directors

My Esteemed Colleagues:

The year 2004 has been a year of transitions. For LACNIC it represented the conclusion of the foundational phase and the consolidation of an organization focused on its clients. Within the international context the global discussion agenda has evolved towards issues that deeply affect Internet Governance.

At the closing of the year 2004, we can state with satisfaction that LACNIC is today a solid organization, consolidated and recognized within the region and within the international context. An organization that provides quality services and solutions to its clients, that contributes to represent the Latin American region within the international context, and that carries out sustained actions in favor of the development of the Internet within our community.

When the actions for 2004 were outlined, we were aware that the fundamental challenge would be to further the improvement of processes and service quality while at the same time maintaining a high level of participation in the international discussion processes and preventing the "growing pains" common to every company from becoming an obstacle that might hinder the achievement of the objectives that were set out.

The debate that has been installed at international level in relation to Internet Governance models affects us and poses an obligation. It affects us because it involves a revision of the administration structures for Internet resources, including numbering resources, and therefore it affects organizations such as ours, with specific responsibilities in this area. It poses an obligation because, together with other organizations, we are in a position to help make the voice of our regional community heard in the global debate.

Active participation in this debate constitutes a strategic priority for LACNIC. A new challenge that has implied a deep effort that we have tried to make so far and that we will continue to make, in order to adequately represent regional interests within the global concert, without this distracting us from our daily responsibilities.

As to the quality of our services, much has been done and there is still much to do, as improving and perfecting the quality of our services is a constant process that LACNIC, as a team, has taken on with conviction. The changes that have been introduced and the activities that have been developed have had very good results, allowing us to become closer to our users and to better understand the region's needs.

This year that is ending, as you will be able to see in the different sections of this report, has been a year marked by good results and successful projects.

We have made concrete advancements towards the formalization of our relationship with the National Registries (NIRs) that existed before the creation of LACNIC and that have played a key role in the creation and success of our organization. We have already signed a service contract with the Mexican National Registry (NIC Mexico) and we hope to subscribe a similar contract with the Brazilian National Registry (NIC Brazil) in the near future.

Through these service agreements, the communities served by these organizations are granted the same rights and guarantees as the rest of the region, confirming clear and well known rules for the administration of Internet numbering resources within the entire region of Latin America and the Caribbean.

We have concluded this year with important planning activities, both at the level of the Board of Directors as well as with the staff of LACNIC, through which we have carefully analyzed the functioning of the organization, identified the strengths which we can count on for future tasks, and those areas where improvement is necessary. The entire staff has exhibited high levels of commitment and professionalism and this has allowed us to have a stable, solid, and modern organization, an organization working to establish new parameters of excellence, transparency, democracy and openness.

2005 will be a year of participation, new challenges and important decisions. It will surely be a year marked by the international agenda on the issue of Internet Governance, during which we will continue with our plans for improving the quality of services and highly involved in activities for the promotion of ICTs and the Internet within our region. We will continue to strengthen our role as promoters of the adoption of IPv6 within the region, promoting and organizing important events in Latin America and the Caribbean and furthering our cooperation activities.

We hope to continue receiving the strong support we have been offered both by the Board of Directors as well as by our members and by the community itself; we also hope to be able to present even better results at the closing of next term.

Raúl Echeberría
Executive Director /CEO

01 INTRODUCTION

This annual report is an opportunity for LACNIC to present a statement of account to the community and also an important way to communicate with our associates.

Openness, participation and transparency are the basis of the self-regulation model that supports the administration of IP addresses in Latin America and the Caribbean.
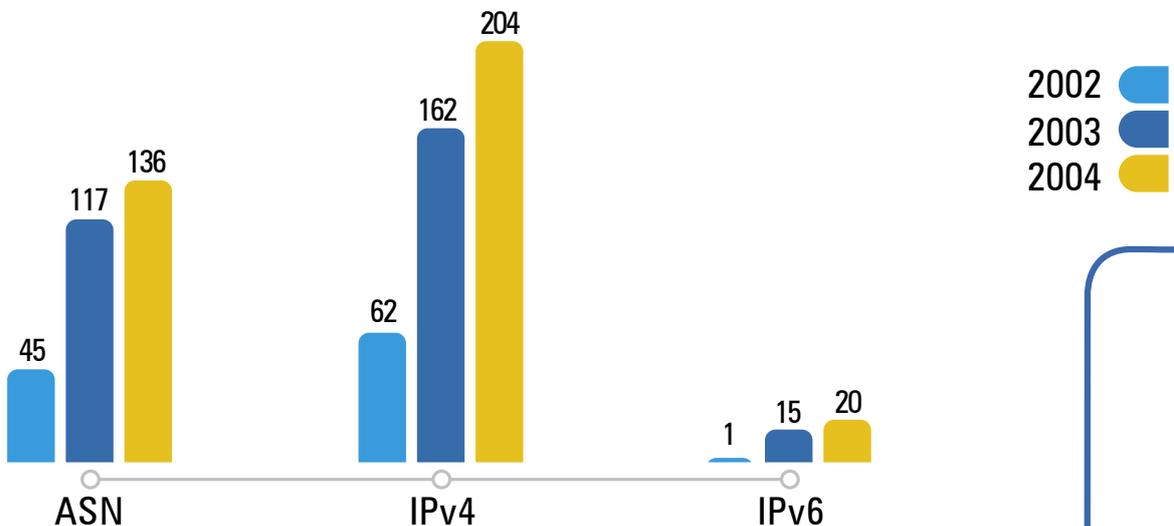
In the following sections information will be presented corresponding to the main activities that were developed within each department during the year 2004, as well as all information relating to LACNIC's administrative and financial management, duly reviewed by external auditors and the Fiscal Commission.

This year's results will be evaluated at LACNIC's next General Annual Assembly, which will meet in Lima, Peru, on June 29, 2005, within the framework of LACNIC VIII.

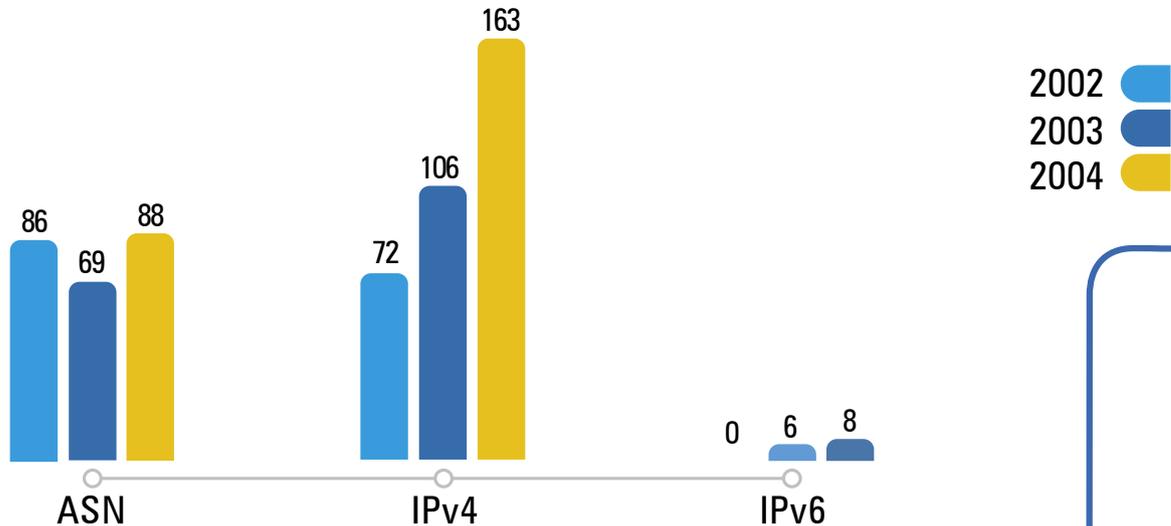# 02 REGISTRATION SERVICES

During 2004, once more a significant growth of the applications and allocated resources was observed in relation to the previous year, consolidating a tendency of growth which is also manifested in relation to IPv6 blocks.

APPLICATIONS

2002
2003
2004

	ASN	IPv4	IPv6
2002	45	62	1
2003	117	162	15
2004	136	204	20

ALLOCATIONS

Chart: Allocations by year (2002, 2003, 2004)

Category	2002	2003	2004
ASN	86	69	88
IPv4	72	106	163
IPv6	0	6	8

During this year, Registration Services staff participated in numerous international events both within the region covered by LACNIC as well as in the rest of the world, including NANOG, APRICOT, meetings of other RIRs and technical events of the CLARA network.

Staff exchange between the registration service and other RIRs has continued, something which has allowed sharing valuable knowledge and experiences that translate into the constant improvement of services. Through these exchanges, LACNIC received staff from APNIC and RIPE NCC. Likewise, RIPE NCC received at its offices a person from LACNIC.

With the aim of furthering even more the relationship between LACNIC and the NIRs (National Registries), during the month of December a meeting was held at LACNIC's offices with representatives from the NIRs of Brazil and Mexico. This meeting allowed us to advance towards the implementation of better means of communication and the implementation of joint actions for improving services and contact with the membership, both at regional level as well as at local level, in the countries served by the NIRs.

In 2004 a process for returning unused Internet numbering resources was made available to the community. According to this procedure, an organization undertakes no longer to utilize the returned resources. Said resources may only be reutilized if necessary, after a minimum period of one year has elapsed. From the moment that this new procedure was established, in August, up to the end of 2004, two IP blocks and three ASNs were returned to LACNIC.

In October 2004 the transfer of the last block of the ERX project was finalized. The aim of this project was to transfer the Internet resources allocated before the creation of RIRs from a central registry to the appropriate RIR. LACNIC carried out its part of the project in a highly efficient manner, completing the task within the anticipated timeline.

As part of the continuous task of improving the interface with the members of LACNIC, application forms for requesting Internet resources began to be handed out in LACNIC's three working languages (Spanish, English, and Portuguese). Thus, the entire system and interface are now available in the three above mentioned languages.

The implementation of the new policies that were approved has been carried out without any inconveniencies. One of the new policies for the allocation of IP blocks – a policy that began functioning in March 2004 – allows the allocation of IP blocks with prefixes /24 to /21 to multi-homed organizations (two or more Internet providers) that are not ISPs. From the moment of its implementation until the end of 2004, five allocations were made under this new policy.

The policy for the allocation of IPv6 blocks was modified, and this has made it easier to access these resources. As of March 2004 it is no longer necessary to present the plans for making 200 /48 allocations within two years, as was previously required. Since the moment that this modification was approved, five new IPv6 allocations have been made.

IPv4(/24)

2548	10282	14654
2002	2003	2004

Ricardo Patara
Registration Services
Manager
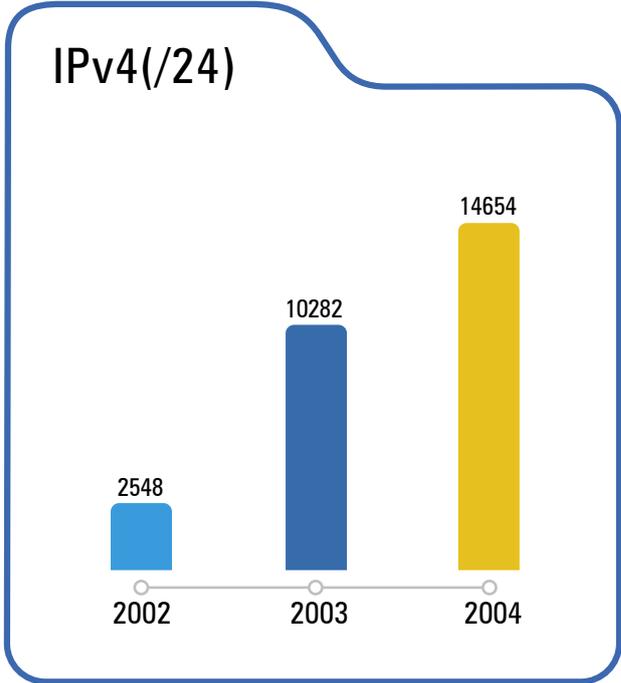
03   ENGINEERING

The year 2004 was marked by the consolidation and stabilization of Engineering activities within LACNIC.

A large part of the efforts focused on dealing with internal demands, aiming at achieving continual improvements in the provision of services. In this sense we can highlight the following modifications:

•Continual maintenance of the system's objects/interfaces
•Restructuring of the code construction infrastructure (BuildSystem/Makefiles)
•Development of a Whois Proxy for NIC-MX (Mexican NIR)
•Full support to IPv6 for all services
•Implementation in LACNIC's systems of the new extra-extra-large membership category approved by the 2004 Annual Assembly
•Modifications to the voting system for the inclusion of digital signatures on the public page for visualizing votes

Among the security related improvements that will be implemented during the following year, the development of the PKI project was specified and started.

This is a project for issuing x.509 certifications, which initially will be used for improving the authentication of the registration system. In the future, these certificates may be used in authentication systems within our region and by the technologies that are being developed at the IETF with the aim of improving the security of the routing system. This project is being developed using open-source software of the openCA project. For this it was decided to hire external personnel that is working in close coordination with LACNIC's Engineering department.

Another ongoing project is the database integration between LACNIC and the NIRs in a Registry-Registrar model, which in our case would be RIR-NIR-ISP. This project, which involves major coordination and cooperation between LACNIC and the NIRs, uses EPP protocol and contemplates the description of extensions.

Internationally, participation in the fora of the operators of our region, the meetings of the other RIRs, and the IETF, mainly within the CRISP, IPv6 and V6OPS groups, was consolidated.

Among other activities undertaken in cooperation with the other RIRs, the following activities took place:

•Monthly meetings of the CTOs (Engineering Managers) and physical meetings of the Engineering teams during IETF meetings.
•Conclusion of the ERX Project in blocks: 131, 137, 139, 146, 152, 153, 157, 161, 192, 196 and 198
•Advancements in the definition of the Jwhois service as an interim solution to offer a unique consultation point on IP addresses, until work is concluded at the IETF for developing CRISP and the service is widespread.

Frederico Neves
Engineering Manager

04 ADMINISTRATION AND FINANCES

The Administration and Finances department is currently made up by three persons, the last of which joined the department in May, 2004.

The group has worked very efficiently, a fact that has allowed reorganizing tasks and improving processes for internal operation. Management control has been optimized through the processes of information gathering and treatment, implementing follow-up measures and adding more precision to the reports.

One of this year's objectives was to begin working on improving customer service processes, seeking to achieve quality not only through formal processes but also through a vocation of service and an adequate attitude for satisfying customers' needs.

As can be seen in the following table, this year's income was higher than anticipated. This is the result of the internal efforts made in order to improve these indicators, more efficient contact with customers, decreased indebtedness, recovery of portfolios prior to the creation of LACNIC, and specific actions in relation to ASN (autonomous numbers) debts.

2004 INCOME REPORT
ALL AMOUNTS EXPRESSED IN U.S. DOLLARS

ITEM	TOTAL ACCRUED		
	BUDGET	ACTUAL	VARIATION
RENEWALS	544,320	650,033	119%
IPv4 Renewals	497,750	603,815	121%
IPv6 Renewals	-	-	-
End User Renewals	6,520	2,150	33%
Membership Renewals	-	1,200	-
ASN Maint.	40,050	42,868	107%
INITIAL	155,100	179,733	116%
New IPv4	85,000	111,781	132%
New IPv6	-	-	-
New End Users	22,500	19,968	89%
New Members	-	400	-
New ASN	47,600	47,584	100%
OTHER INCOME	36,407	31,060	85%
Event Sponsors	20,000	6,235	31%
Competitive Funds	11,000	16,414	149%
Deposit Interest	5,407	8,411	156%
TOTAL BUDGET INCOME	735,827	860,826	117%
Others	-	3,640	-
TOTAL INCOME	**735,827**	**864,466**	**117%**
Discounts Granted	-	25,242	-
Net Total		**839,224**	**114%**

In June, 2004, it was decided to implement a special collection management and balance conciliation campaign in relation to the sector of LACNIC's clients that have Autonomous Systems. This experience was completely successful, as it not only allowed LACNIC to recover funds but also allowed us to know and come closer to this sector of our clients.

As can be seen in the following table, the expenditure execution of 2004 represented 95% of the budget initially approved by the Board of Directors.

2004 BUDGET EXECUTION REPORT
ALL AMOUNTS EXPRESSED IN U.S. DOLLARS

ITEM	GLOBAL BUDGET	GLOBAL EXECUTION	GLOBAL BALANCE	%
ASSETS – Usable Goods	21,850	21,184	666	97%
EXPENDITURES	698,977	663,639	35,338	95%
DIREC. & ADMIN. EXPENDITURES	568,787	541,521	27,266	95%
EMPLOYEE CONTRIBUTIONS	205,377	184,319	21,058	90%
NON-PERMANENT COMPENSATIONS	53,260	50,101	3,159	94%
TRAVEL AND TRAINING	205,600	204,633	967	100%
CONSUMABLES AND SUPPLIES	8,900	7,674	1,226	86%
SERVICES	46,150	44,797	1,353	97%
PUBLICITY	49,500	47,229	2,271	95%
OTHER EXPENDITURES	118,050	109,947	8,103	93%
Miscellaneous Expenditures	8,050	6,993	1,057	87%
Contributions and Membership	18,500	12,112	6,388	65%
Cooperation	91,500	90,842	658	99%
FINANCIAL EXPENDITURES	12,000	12,170	-170	101%
INCIDENTALS	140	0	140	0%
GENERAL TOTAL	**720,827**	**682,054**	**38,773**	**95%**

This year's budget execution, as in past years, was based on the principles of austerity and responsibility, while at the same time care was taken to ensure that all anticipated activities were executed correctly.

INVESTMENTS IN MONETARY ASSETS

LACNIC's securities portfolio has grown in relation to 2003 but continues exhibiting an eminently conservative profile. Its composition is balanced, maintaining investments in fixed and variable income securities, a fact that has allowed better returns than those obtained during the previous year. This, together with the savings generated during the current year, have helped mitigate the financial losses caused by the inflation in dollars and the devaluation of the dollar in relation to the Uruguayan peso.

Another task of this department is to provide administrative support to organizations such as CLARA, LACTLD and ECOM-LAC through the agreements subscribed between LACNIC and these institutions.

It is important to highlight the work carried out by the Fiscal Commission. This year the Commission met in Montevideo on two different opportunities, exhaustively reviewed the expenditures and processes, and made important contributions to the operation of LACNIC through their recommendations.

The balance sheet as at December 31, 2004, was audited by the firm "Ernst & Young - Cr. Ricardo Villarmarzo", who issued their report dated February 17, 2005, without any observations. Said balance sheet, together with the Fiscal Commission's report, are attached at the end of this report.

Irene Suffia
Administrative and Finance Manager

The main function of LACNIC's policy department is to facilitate the Policy Development Process within the area covered by LACNIC, thus contributing to the adoption of Internet resource distribution policies consistent with regional needs.

During 2004 an important step was taken with the adoption of a Policy Development Process which was analyzed and discussed by the community during the Public Forum that met during LACNIC VI in Montevideo, Uruguay.

The establishment of this model consolidates the spirit of openness in the process for developing public policies for the distribution of Internet resources, as it allows any person or entity that is interested in the matter to participate either by attending the Public Forum or through electronic mailing lists. In addition, and seeking to achieve the highest possible level of transparency in the recently approved Policy Development Process, a moderator was included; this moderator is elected through an open summons and by members of the Internet community. The election of the moderator of LACNIC's Public Forum represented the final step for members of the Internet community of Latin America and the Caribbean to have control of the self-regulation model on which LACNIC's current Policy Development Process is based.

The year 2004 marked the discussion of nine proposals, including the above mentioned Policy Development Process, the approval of three of these proposals, and the implementation of four new policies, some of which were originated in the discussions that took place during the last Public Forum of 2003.

The proposals that were analyzed and discussed, as well as their status, are the following:

LACNIC VI, Montevideo, Uruguay

•LACNIC Policy Development Process (approved, implemented)
•Lame Delegation Policy (approved)
•IPv4 Allocation Based on HD Ratio (rejected)
•IPv6 Allocation to Private/Closed Networks (rejected)
•Analysis of Minimum Requirements for the Allocation of IPv4 Blocks (postponed)

LACNIC VII, San Jose, Costa Rica

•Recovery of Allocated but Unutilized Internet Resources at LACNIC (postponed)
•Global Policy for IPv6 Block Allocation by IANA to Regional Registries (postponed)
•Analysis of Minimum Requirements for the Allocation of IPv4 Blocks (approved)
•Analysis of Alternative Information for Initial IPv4 Allocations (postponed)

During 2004, the following policies were implemented:

•Allocation of Internet Resources for Experimental Uses
•LAC IPv6 Policies
•Modification of the Multi-Homed End User Micro-Allocation Policy
•LACNIC Policy Development Process.

Special mention is warranted by the IPv6 Policy for the region covered by LACNIC and the Analysis of Minimum Requirements for the Allocation of IPv4 Blocks, as these policies are important examples of how the regional needs regarding Internet resource distribution can generate policies that are consistent with our regional reality. In the first example, the common policy model that was applied at the other Regional Internet Registries was modified, eliminating requirements that hindered the distribution of IPv6 blocks in our region. In the second case, the requirements for accessing IPv4 blocks were reduced significantly for Internet Service Providers. This new policy has been approved and is awaiting implementation in 2005.

In addition, LACNIC's policy department performs a follow-up of policy development processes within the communities of the other Regional Internet Registries (RIRs) so as to have more information available for discussion and decision making in the area covered by LACNIC. Thus, at the meetings held by LACNIC during 2004, presentations and debates such as the following were included:

IPv4 Lifetime Expectancy
Perspectives on IPv6 Adoption
Analysis of Historical Resource Utilization at Global Level

In pursuance of the same objective, a project that will help supply information to support policy discussions was financed and coordinated: the joint project with the ORT University of Montevideo, Uruguay, on the Fragmentation of the Legacy Space, which was presented not only within the framework of LACNIC but also at international fora.

LACNIC is committed to being a relevant promoter of the deployment and use of the new IPv6 addressing protocol within the region. In this sense, during 2004, within the framework of its meetings, LACNIC organized the First and Second Latin American IPv6 Forum, the aim of which is to exchange experiences relative to the implementation of the IPv6 protocol in different types of networks. In addition, LACNIC successfully launched the summons for the creation of the IPv6 Task Force for Latin America and the Caribbean (LAC IPv6TF) which, just as its counterparts in other parts of the world, is dedicated to promoting the adoption of IPv6.

Finally, the Public Policy List, an essential part of the Policy Development Process, has now over 300 members. This is

an open subscription list, and those wishing to do so may subscribe at .net/sp/lists.html.

As to training, nine training days were held according to the following detail:

May 27, Port au Prince, Haiti - 22 Participants
July 1, Guayaquil, Ecuador - 34 Participants
July 2, Quito, Ecuador - 52 Participants
July 6, Lima, Peru - 35 Participants
September 8, Santo Domingo, Dominican Republic - 20 Participants
September 15, Panama City, Panama - 27 Participants
October 26, San Jose, Costa Rica - 41 Participants
November 9, Mexico City, Mexico - 38 Participants
November 11, Monterrey, Mexico - 10 Participants

The number of participants in these training days totaled 279.

Training days focus not only on explaining policies but also on explaining the self-regulation model, and they represent an excellent opportunity for inviting the participants to join the discussion lists and take part in LACNIC's Public Forums.

Likewise, during the LACNIC meetings that took place during 2004, tutorials were offered in cooperation with instructors who are experts in their fields. Thus, as part of LACNIC's training program, the following tutorials were organized:

Basic and Advanced DNS
IPv6
Multicast
IPv6 Deployment
Network Security

The total number of participants in these sessions was 164.

In short, LACNIC offered training services to a total of 443 participants from 18 different countries of the region it serves.

In this sense it is important to highlight the contribution of several instructors who unselfishly participated in the above mentioned tutorials.

Germán Valdez
Policy Manager

06 MEMBERSHIP SERVICES AND COMMUNICATIONS

During 2004 the work of this department focused on improving direct contact with our members (associates) with the aim of keeping them informed of the different activities carried out by LACNIC and making it easier for them to exercise their rights as members. In pursuance of these objectives, a campaign for contacting associates by telephone was implemented in order to inform them of the latest elections and provide the information necessary for their participation. Additionally, members were informed of the LACNIC meeting held in San Jose, Costa Rica, in October 2004, they were encouraged to subscribe to LACNIC's main mailing lists, and they were asked to answer a brief questionnaire regarding their level of satisfaction in relation to the services provided by LACNIC.

The results of this campaign were very positive: we were able to directly contact 65% of the members. The average level of satisfaction among those interviewees that mentioned having had some sort of contact with LACNIC was very high: 3.7 on a scale of 1 to 4.

In the month of September, with the hiring of a full-time webmaster, Nicolás Quagliata, work began on restructuring LACNIC's website with the aim of improving communicational aspects and content organization within the site.

In September 2004 an election was held to appoint two members to LACNIC's Board of Directors; this election was carried out by electronic ballot. There were four candidates, and 31% of the members entitled to vote participated in the election. As a result of this election, Javier Salazar (Mexico) and Fábio Marinho (Brazil) were elected to fill the two vacant positions on the Board of Directors for a period of three years beginning in January 2005.

Prior to the election, joint work was carried out with the Electoral Commission and the technical department in a search for improving the electronic voting mechanisms; this allowed LACNIC to improve the guarantees as to the identity of the voters and the secrecy of the votes.

The membership services department also conducted the process for electing the LACNIC region representative to the Address Supporting Organization's Address Council (ASO AC) in order to fill the position vacated by Raimundo Beca (who was elected to the ICANN Board of Directors). The process resulted in the election of Sebastián Bellagamba, who will occupy the position on the AC until December 2006.
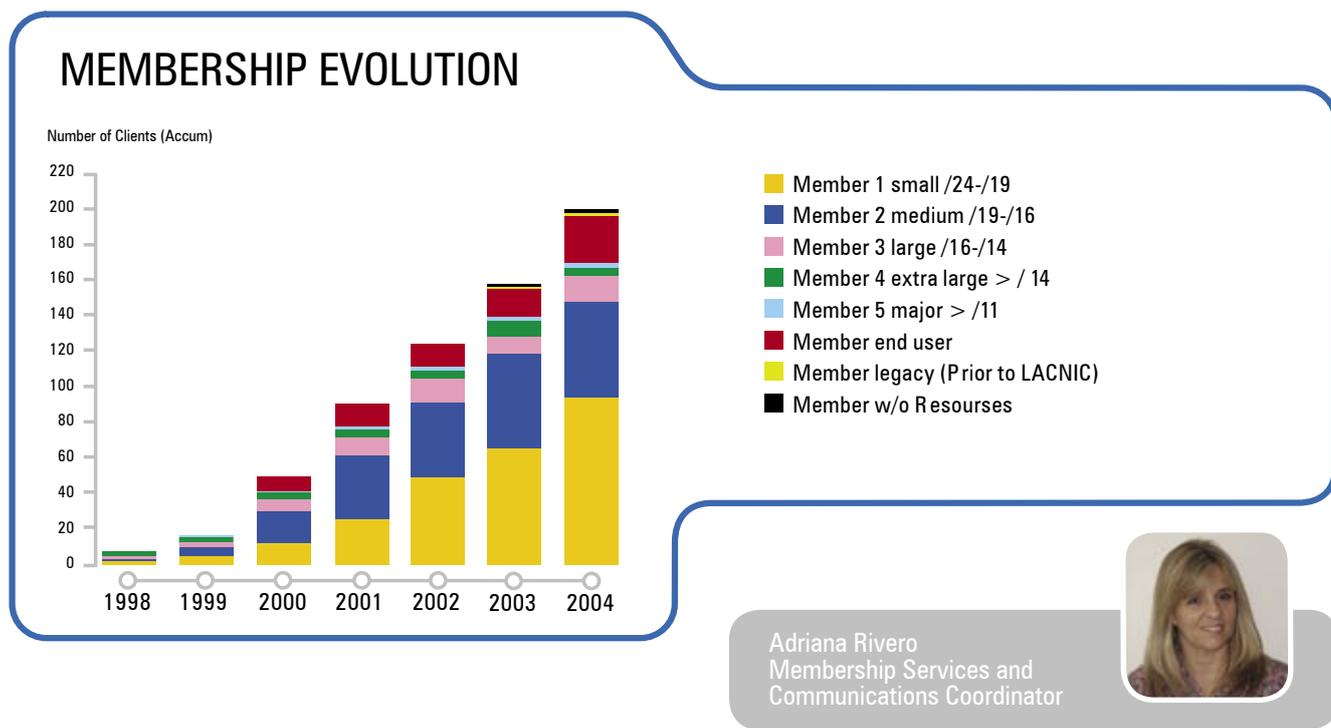Likewise, the department also conducted the process for selecting the Moderator for LACNIC's Public Forum. This

process resulted in the election of Christian O'Flaherty, who will occupy this position for a period of two years.

As a consequence of the creation of the NRO (Number Resource Organization) in October 2003, the NRO Coordination and Communications Group (CCG) was created in 2004. This group is committed to coordinating and facilitating all NRO communications. This includes the coordination of announcements and documents that will be published on the NRO website and on every RIR's mailing lists and websites, as well as the coordination of all the activities in which the NRO is involved. LACNIC's participation within this group was in charge of the Membership Services and Communications department.

The following chart shows the evolution of LACNIC's membership through the past years. For the years prior to 2002, the figures that are indicated correspond to those who were at the time members of ARIN but who belong to the region currently covered by LACNIC.

MEMBERSHIP EVOLUTION

Number of Clients (Accum)

- Member 1 small /24-/19
- Member 2 medium /19-/16
- Member 3 large /16-/14
- Member 4 extra large > / 14
- Member 5 major > /11
- Member end user
- Member legacy (Prior to LACNIC)
- Member w/o Resources

1998 1999 2000 2001 2002 2003 2004

Adriana Rivero
Membership Services and
Communications Coordinator

07 COOPERATION AND COMMUNITY ORIENTED WORK

FRIDA Program

frida

The FRIDA Program (Regional Fund for Digital Innovation in Latin America and the Caribbean), administered by LACNIC, is the result of the agreement with the Pan Americas initiative of the International Development Research Center (IDRC) and the Institute for Connectivity in the Americas (ICA). The program began its activities in 2004, constituting a regional fund for supporting investigation projects or innovations in the field of ICTs in our region, providing small amounts to complement the efforts being made by organizations from our region.

The startup of the FRIDA Program involved the challenge of making the region aware of the existence of this initiative, as well as setting up an efficient structure for administrating the fund that would allow allocating the largest possible portion of the available budget to research projects.

The first project summons was made in the month of March; this summons was open to proposals having an execution period of one or two years, for amounts of US$ 12.500 o US$ 25.000, respectively. As a result of this

summons, 122 proposals, presented from 19 different countries within the region, were received. The project selection process involved their evaluation within the framework of an Evaluation Committee made up by six independent specialists who, based on previously agreed criteria, determined which projects had the greatest strengths from the perspective of their usefulness for the region and would be supported by the funds available through the Program.

In the 2004 edition of the FRIDA Program, 4 biannual projects and 8 annual projects were selected, which together represent US$ 200.000 destined to 12 organizations and research initiatives presented by 13 different countries of our region.

The subject matter included in these projects cover a broad spectrum, including investigations on the development of wireless connections based on IPv6 Protocol (Chile), risk analysis and management in network information administration (Brazil), use of robotics applied to the education of children (Costa Rica, Panama and Colombia), long distance education platforms than can be adapted to local cultural characteristics (Uruguay, Brazil), analysis of policies and regulations that will facilitate insertion into the job market (Argentina), evaluation of digital communication experiences as a support for social development (Uruguay), development of e-readiness measurement methodologies (Colombia), evaluation of public domain GRID technologies (Venezuela), design of intervention methodologies that will allow the appropriation of ICTs on the part of local communities (Mexico), and design of science teaching methodologies through the use of ICTs (Chile).

A highlight of this period was achieving complementary contributions to those made by the summoning institutions, on the part of the Internet Society (ISOC) and the Global Knowledge Partnership (GKP). These two organizations, through their financial contributions, have permitted to increase the number of proposals that can be supported and the strengthening of the necessary Technical Evaluation and Follow-Up processes.

Beyond the concrete results that these first twelve projects may generate, what is truly relevant is the stimulation of the research process itself, the result of which is the promotion of research teams, the sharing of experiences, and the development of new solutions that are consistent with our regional reality.

The second summons, already made public in December, will allow the selection of a group of research initiatives in new fields, prepared by new organizations, with a similar available amount as was granted in the 2004 summons.

Agreement with NIC Brazil

NIC Brazil's cooperation with LACNIC is maintained at similar levels as in previous years, including Engineering services, software development, placement of LACNIC's servers at NIC Brazil's datacenter, and the coverage of costs related to LACNIC's Registration Services.

LACNIC has already begun to gradually assume under its own costs the activities that until now were financed by NIC Brazil.

During the course of 2005, the subscription of a new mutual cooperation agreement is anticipated; as of this agreement LACNIC will become a completely self-supporting organization.

Agreements with Other Regional Organizations

Following the same lines we did the previous year, during 2004 we continued to provide administrative assistance to other regional organizations.

This assistance translated into cooperation in their administrative management, management of collections from their members, payments to their providers, and support in bureaucratic procedures.

To this date, the organizations with which LACNIC has signed agreements are the following: CLARA (Latin American Cooperation of Advanced Networks), ECOMLAC (Latin America and Caribbean Federation for Internet and Electronic Commerce) and LACTLD (Latin American & Caribbean Country Code Top Level Domain Organization).

It should be noted that, at the closing of 2004, audits were performed in relation to LACNIC's management regarding each one of these organizations. The auditors' reports were favorable.

Support to Other Fora

During 2004, LACNIC continued supporting the organization of other fora of interest to our regional community, such as NAPLA (Latin American NAP Meeting) and the WALC (Latin American Network Technology

Ernesto Majó
Cooperation Projects
Coordinator

NRO

Formalizing their cooperation efforts, in October 2003 the four existing Regional Internet Registries (RIRs) signed a Memorandum of Understanding for the creation of the NRO (Number Resource Organization), http://www.nro.net. The NRO has the following objectives: to protect the unallocated address space, to promote and protect the bottom-up policy development process, and to act as a nexus between RIRs and the Internet community in general.

During 2004, the responsibilities within the NRO Executive Council (EC) – responsibilities which rotate on a yearly basis – were as follows: Paul Wilson (APNIC) acted as Chair, Axel Pawlik (RIPE NCC) as Secretary and Raúl Echeberría (LACNIC) as Treasurer.

One of this year's highlights was the provisional recognition that AfriNIC received from ICANN. It is expected that during the next few months AfriNIC will obtain its final recognition and become the fifth RIR, crowning a process that has demanded much work.

After the creation of the NRO, in October 2004 a new Memorandum of Understanding (MoU) was signed between ICANN and the NRO. Under the terms of the new MoU, the NRO will assume ASO's role, responsibilities and functions.

ASO

The ASO (Address Supporting Organization: www.aso.icann.org), a body that advices and supports ICANN in issues relating to addresses and numbers, was created in 1999 through an agreement between the existing Regional Registries and ICANN. After a new Memorandum of Understanding was signed between ICANN and the NRO on behalf of the Regional Registries, in October 2004, the new NRO Number Council fulfills the role of ASO's Address Council.

This body is made up by three representatives from each Regional Registry, one of which is appointed by the Board of Directors of the Regional Registry while the other two are elected by the respective regional communities at their Public Forum following an open call for nominations.

Currently, the LACNIC representatives participating in the ASO Address Council are the following:

Julián Dunayevich   – Until December 31, 2005
Sebastián Bellagamba   – Until December 31, 2006
Hartmut Glaser   – Until December 31, 2007

Other Fora

During 2004, LACNIC continued its active participation in different regional and international fora, such as CITEL, preparatory meetings for the World Summit on the Information Society, and IPv6 fora, among others.

World Summit on the Information Society

The process of the World Summit on the Information Society and the specific discussion on Internet Governance have demanded great efforts on the part of LACNIC. Our organization has tried to be highly involved in the process and in every forum where these issues are being discussed.

In October 2004, the UN Secretary General created the Working Group on Internet Governance (WGIG), with the participation of government, civil society and private sector representatives. Our Executive Director has been chosen to be a part of this working group, a fact that represents an honor for LACNIC and a recognition of the role that LACNIC fulfills within the regional and international community.

Signing of the Memorandum of Understanding between ICANN and the NRO. Left to right: Ray Plzak (ARIN), Paul Towmey (ICANN), Axel Pawlik (RIPE NCC), Raúl Echeberría (LACNIC). October 21, 2004, Reston, Virginia.

09   BOARD OF DIRECTORS
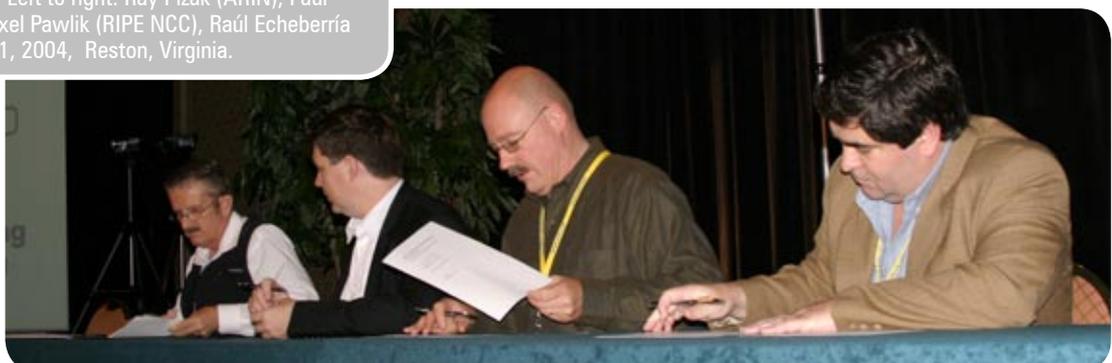
Elections were held in September 2004 for electing the two members that, according to LACNIC's bylaws, must replace the two directors vacating their positions each December. The new Board of Directors distributed the positions as required by the bylaws. During 2005, positions within the Board and their corresponding terms in office are

Position	Name	Country of Residence	Term Ends
President	Oscar Messano	Argentina	12/31/2005
Vice- President	Fabio Marinho	Brazil	12/31/2007
Secretary	Oscar Robles	Mexico	12/31/2005
Deputy Secretary	Javier Salazar	Mexico	12/31/2007
Treasurer	Hartmut Glaser	Brazil	12/31/2006
Deputy Treasurer	Jesús Martínez	Cuba	12/31/2006

10   PERSPECTIVES FOR 2005

The year 2005 presents itself as a year where one of the focal points of our activities will undoubtedly involve participating in the debate on Internet Governance within the framework of the second phase of the World Summit on the Information Society which will be held in Tunisia in the month of November.

Simultaneously, other important challenges are to continue working on quality of services and the direct relationship with our clients and associates, always within the framework of the Social Responsibility policies that are being incrementally implemented at LACNIC and which include different aspects, ranging from actions directed at increasing the information and transparency offered to the community, to financing research projects such as the FRIDA Program, agreements, strategic alliances, and other diverse forms of cooperation.

In addition, in 2005 our organization is assuming the role of NRO and ASO Secretariat, a fact that implies an additional workload that we must fulfill responsibly and successfully without affecting our daily work.

During the current year we will continue to support the realization of different fora and we will continue to try to bring together similar or related events in order to facilitate and promote a higher degree of participation. In furtherance of this objective, the Latin American NAP Meeting and a new edition of the Latin American IPv6 Forum will be held simultaneously with LACNIC's 2005 meeting.

In relation to IPv6, we will continue to strengthen our role as promoters of the adoption of this new technology through alliances with other related organizations, organizing specific workshops and events, and supporting the operation of FLIP-6 and the IPv6 Task Force for Latin America and the Caribbean.

Other objectives for the next year involve the signing of a service contract with NIC Brazil and a new long term cooperation agreement.

LACNIC is strongly committed to the success of the NRO, and for this reason this year we will continue to support the strengthening of the levels of coordination with other RIRs in this sense and the institutional consolidation of the NRO.

ASSETS	$	US$
CURRENT ASSETS		
CASH AND BANKS		
Cash	14.275	541
Banks	7.144.694	270.841
	7.158.969	271.382
SHORT - TERM INVESTMENTS		
Public and private securities (Notes 2.7 and 3)	5.032.656	190.776
ACCOUNTS RECEIVABLE		
Trade accounts receivable	5.274.381	199.939
Less:		
Non-accrued services (Note 5)	(3.341.449)	(126.666)
Reserve for doubtful accounts (Note 2.8)	(1.122.152)	(42.538)
	810.780	30.735
OTHER RECEIVABLES		
Deposits in guarantee (Note 5)	1.128.325	42.772
Other accounts receivable	32.628	1.237
Prepaid expenses	19.660	745
Other	290	11
	1.180.903	44.765
TOTAL CURRENT ASSETS	14.183.308	537.658
NON - CURRENT ASSETS		
ACCOUNTS RECEIVABLE		
Trade accounts receivable	168.832	6.400
Less:		
Non-accrued services (Note 4)	(168.832)	(6.400)
	-	-
FIXED ASSETS (Appendix I and Note 2.9)		
Original values	2.692.780	89.140
Less:		
Accumulated depreciation	(736.198)	(23.986)
	1.956.582	65.154
INTANGIBLES (Appendix I and Note 2.10)		
Original values	438.611	15.488
Less:		
Accumulated amortization	(117.008)	(4.136)
	321.603	11.352
LONG - TERM INVESTMENT (Appendix I and Note 6)		
Works of art	35.148	1.200
TOTAL NON - CURRENT ASSETS	2.313.333	77.706
TOTAL ASSETS	16.496.641	615.364
MEMORANDUM ACCOUNTS (Note 8)	6.647.864	252.004

LIABILITIES	$	US$
CURRENT LIABILITIES		
ACCOUNTS PAYABLE		
Local suppliers in local currency	94.801	3.595
Local suppliers in foreign currency	296.679	11.247
	391.480	14.842
OTHER ACCOUNTS PAYABLE		
Advances from customers	585.082	22.179
Payable employee contributions	248.159	9.407
Payable pension plans	112.529	4.266
Payable professional fees	73.020	2.768
Other liabilities	776.556	29.437
	1.795.346	68.057
TOTAL CURRENT LIABILITIES	2.186.826	82.899
NON - CURRENT LIABILITIES		
OTHER ACCOUNTS PAYABLE		
Advances from customers	491.723	18.640
TOTAL NON - CURRENT LIABILITIES	491.723	18.640
TOTAL LIABILITIES	2.678.549	101.539
SHAREHOLDERS' EQUITY (Appendix II)		
Fixed assets revaluation (Note 2.9)	197.551	-
Retained earnings	12.458.309	428.992
Net income of the year	1.162.232	84.833
TOTAL SHAREHOLDERS' EQUITY	13.818.092	513.825
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	16.496.641	615.364
MEMORANDUM ACCOUNTS (Note 8)	6.647.864	252.004

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2004

	$	US$
Net sales	23.160.854	799.329
Cost of services provided (Note 7)	-	-
Gross profit	23.160.854	799.329
Selling and administrative expenses		
Salaries	(5.351.655)	(188.384)
Professional fees	(1.488.520)	(52.869)
Depreciation of fixed assets (Note 2.9)	(626.228)	(20.561)
Amortization of intangibles (Note 2.10)	(111.473)	(3.904)
Bad debts (Note 2.8)	(864.302)	(32.698)
Insurance	(93.970)	(3.364)
Travel and training	(5.802.158)	(204.633)
Cooperation and contribution	(2.878.206)	(102.954)
Rental	(241.777)	(8.400)
Electricity, water and gas	(51.702)	(1.809)
Cleaning and maintenance	(130.372)	(4.578)
Correspondence and communications	(574.185)	(20.297)
Stationery and desk supplies	(219.308)	(7.674)
Advertising	(1.610.253)	(56.096)
Other expenses	(130.420)	(4.476)
	(20.174.529)	(712.697)
Other results		
Other income and expenses	528	13
Financial results		
Interests and discounts received	251.860	9.187
Interest expense and commissions	(349.028)	(12.170)
Difference closing price	18.779	712
Translation gains (Note 2.2)	-	459
Currency exchange differences (Note 2.6)	(1.746.232)	-
	(1.824.621)	(1.812)
Net income of the year	1.162.232	84.833

REPORT OF INDEPENDENT AUDITORS
(Free translation from the original in Spanish)

To the Board of Directors of
Registro Regional de Direcciones IP para América Latina y
Caribe (LACNIC)

1. We have audited the accompanying balance sheet of
Registro Regional de Direcciones IP para América Latina
y Caribe (LACNIC) as of December 31, 2004 and the
related statement of profit and loss for the year then ended,
with their attached notes and appendixes, expressed
in Uruguayan pesos. These financial statements are
the responsibility of the Institution's management. Our
responsibility is to express an opinion on these financial
statements based on our audit.

2. We conducted our audit in accordance with generally
accepted auditing standards in Uruguay. Those standards
require that we plan and perform the audit to obtain
reasonable assurance about whether the financial
statements are free of material misstatement. An audit
includes examining, on a test basis, evidence supporting
the amounts and disclosures in the financial statements.
An audit also includes assessing the accounting principles
used and significant estimates made by the management,
as well as evaluating the overall financial statement
presentation. We believe that our audit provides a
reasonable basis for our opinion.

3. In our opinion, the financial statements referred to
above, expressed in Uruguayan pesos, present fairly, in all
material respects, the financial position of Registro Regional
de Direcciones IP para América Latina y Caribe (LACNIC)
as of December 31, 2004 and the result of its operations
for the year then ended, in conformity with generally
accepted accounting principles in Uruguay.

4. Without qualifying our opinion we draw attention to
Note 9 to the financial statements. At this moment it is not
possible to determine with reasonable degree of certainty
the moment and the way of application of fiscal exemptions
-according to Article 69 of the Uruguayan Constitution-,
and no provision for any liability that may result has been
made in the financial statements since management
considers that there will be a favourable resolution.

5. Our audit was conducted for the purpose of forming an
opinion on the financial statements taken as a whole. The
financial statements expressed in US dollars are presented
for purposes of additional analysis and are not a required
part of the financial statements. Such information has been
subjected to the auditing procedures applied in our audit
of the financial statements and, in our opinion, the financial
statements were translated into United States dollars
following the criteria mentioned in Note 2.2 of the financial
statements.

6. This report is intended solely to be used exclusively by
the Board of Directors and members of the Institution, and
is not intended to be and should not be used by anyone
other than these specified parties.

Montevideo, February 17, 2005

Signed for identification purposes only

REPORT OF THE FISCAL COMMISSION
(Free translation from the original in Spanish)

According to the provisions of Article 27, Item (c) of the approved and valid Bylaws of the LATIN AMERICAN AND CARIBBEAN INTERNET ADDRESS REGISTRY (LACNIC), a meeting of the Control Organ is held, with the presence of Cassio Vecchiatti, Sebastián Bellagamba and Adriana Ibarra Vázquez.

In view of the above, a report is issued in reference to the Accounting Statements corresponding to the term ended on December 31, 2004.

ONE.- The results of the report prepared by Ernst & Young, in their capacity as external auditors, in relation to the Accounting Statements corresponding to the term ended on December 31, 2004, were verified. The results of said verification were favorable.

TWO.- Based on the analysis of the external auditor's report performed by the Control Organ and the documentation submitted by LACNIC, it is our conclusion that the information we have been presented reflects the true situation of the facts that have occurred and that the distribution of expenditures is consistent with the organization's objectives, and therefore we advise its approval on the part of the General Assembly.

THREE.- Based on the analysis performed by the Control Organ, we recommend considering the debts that have exceeded a considerable period of indebtedness as uncollectible, and subjecting them to the corresponding accounting treatment.

FOUR.- Considering the recommendation issued on February 25, 2004, and with the aim of increasing the predictability and stability of LACNIC, we recommend using part of the reserve funds for acquiring a real estate property that will function as the organization's head office, thus increasing LACNIC's patrimony and the possibility of providing new services to the community.

March 11, 2005

Cassio Vecchiatti
Sebastián Bellagamba
Adriana Ibarra Vázquez