

Note: This report covers the administrations of three Secretaries General, César Gaviria, Miguel Ángel Rodríguez, and Acting Secretary General Luigi R. Einaudi. Each administration established its own structure for the General Secretariat. This report was prepared according to the structure established by Executive Order 05-03, issued by Acting Secretary General Einaudi on January 25, 2005, and which is currently in force.

INTRODUCTION

In fulfillment of Articles 91 and 112 of the Charter of the Organization of American States (OAS), I am pleased to submit the Annual Report for 2004-2005 to the Permanent Council and to the General Assembly. In accordance with the Charter, this report describes the activities of the OAS and its financial condition. Prepared pursuant to the guidelines contained in resolution AG/RES. 331 of 1978, this Annual Report covers the period from March 1, 2004 to February 28, 2005.

The OAS is at mid-passage, its renewed structure nearing completion, but its finances still in disrepair. It is as though our great ship of the Americas, its hull and masts newly refitted to facilitate democratic solidarity, security, and regional integration, had for sails nothing more than a patchwork fit for a catamaran.

This Annual Report covers as it must the full range of the Organization's activities. However, the period in question has not been an ordinary period and hence in this introduction I will focus on efforts to implement the budget resolution adopted by the General Assembly in June 2004 for fiscal year 2005. In that resolution, the member states directed the Secretary General to reorganize the Secretariat and present a revised budget to put the reorganization into effect.

Miguel Angel Rodriguez was elected Secretary General in June, issued a rationally radical reorganization order on taking office in September, and resigned for extraneous reasons a month later, having decapitated the Secretariat's senior management but not having completed either the reorganization or even his new leadership team.

Upon assuming the functions of Secretary General on October 16, 2004, I strove to ensure a workable implementation of the structural change and fiscal efficiency sought by the member states. I confirmed the personnel changes introduced by Rodríguez. Assistant Secretary positions were eliminated, as were all 11 former Senior D-2 Director positions. Department-level directors were all appointed at the D-1 level—some at two pay-grades below their prior levels. Of the 23 D-1 positions that existed prior to the reorganization, most were recreated at the P-5 level, the rest were eliminated. Originally planned personnel cuts in the bulge at the middle of the rank pyramid could not be carried out because of the disruption caused by Rodríguez' departure.

To stabilize the General Secretariat workforce and to maximize savings, I filled only three positions of trust—the Directors of the Department of Communications and External Relations and of the Executive Secretariat of Integral Development, and the head of the Office of Conflict Prevention and Resolution. I also replaced the Director of Administration and Finance. No other senior personnel were hired.

In fact, to ensure that the next elected Secretary General would be properly staffed, I was forced to instruct that all posts which belonged to the Office of the Secretary General, but which had been allocated elsewhere in the Secretariat, be returned to that office. I then detailed the incumbents back to the areas where they were serving. That this had to be done is itself a warning; a signal that we are already cannibalizing ourselves just to keep functioning.

On January 26, 2005, I submitted Executive Order 05-03, "Reorganization of the General Secretariat," to the Permanent Council, thereby meeting the General Assembly's mandate "to present a restructuring plan to the Permanent Council by January 31, 2005." This Executive Order preserves the managerial brilliance of Executive Order 04-01 but adjusts it to the operational and historical realities of the inter-American system.

The new structure creates a Cabinet composed of the Directors of seven Departments:

- Department of Democratic and Political Affairs
- Executive Secretariat for Integral Development
- Department of Multidimensional Security
- Executive Secretariat of the Inter-American Commission on Human Rights
- Department of Communications and External Relations
- Department of Legal Affairs and Services
- Department of Administration and Finance

plus, ex officio, the Director of the Summits Secretariat and the Inspector General.

Executive Order 05-03 preserves the statutes of the specialized organizations and entities, ensures that the Summits of the Americas Secretariat and the Executive Secretariat of the Inter-American Commission on Human Rights once again report directly to the Secretary General, and restores an earlier institutional tradition by establishing the Executive Secretariat for Integral Development.

Overall, this new structure represents a sharp swing of the pendulum away from the highly decentralized structure that had evolved over past decades. There were, by various counts, at one time as many as 39 different offices reporting directly to the Secretary General, which all agreed was not a managerially coherent situation. There had, of course, been reasons—many of them good—for that evolution, among them the difficulty of establishing common priorities in an organization whose membership is as highly diverse as ours. That said, the new Cabinet-coordinated structure gives the General Secretariat a firm foundation to carry out the mandates it receives from the various political bodies to which we must respond.

Structure, however, cannot repair the imbalance between key mandates and increasing market-driven costs and a stagnant budgetary appropriation. Even with the savings achieved by the restructuring process, income from the existing quota system, does not meet the Organization's operating requirements. The sad truth is that today, even setting aside the Executive Secretariat for Integral Development, all areas of the Organization, including Human Rights, Security, Democracy, and the General Secretariat's support for the political bodies and for the Offices in the Member States, lack adequate resources. The human rights system has been under-funded for years. The liquid resources needed for international telephone calls and office supplies, training, travel, studies and specialized short-term services have been steadily cut over the years. Directors can respond to changing requirements only by drawing from the amounts already allocated to them, most of which go to meeting personnel costs, which are not immediately changeable.

Some have suggested that personnel costs – the size of the Secretariat's staff and the remuneration it receives -- are excessive and must be further reduced. I disagree. The work of the Secretariat – facilitating cooperation across cultural, political, and developmental divides -- is inherently labor-intensive. We are already at or below the personnel levels we need. Ironically, since the Summit Process began in 1994, yielding both new hope for the Americas and more work for the Organization, the OAS has had to cut its regular work force by 25%, eliminating 168 positions from the Regular Fund. And last year's Deloitte & Touche study made very clear that, compared to other international institutions, the remaining staff of the Secretariat is not overpaid. During this past year, many of our best people in Haiti left us for the United Nations, which pays far better benefits.

Yet to stay within the existing budget ceiling, my own 2006 budget proposal eliminates additional positions. The Organization has been left without the capacity to implement new mandates, and does not have the financial flexibility in the Regular Fund to react even to emergencies in member states. Special

contributions, not regular fund resources, sustain our Special Missions in Haiti and Colombia. The positive solidarity in support of democracy called for in the Inter-American Democratic Charter and needed urgently from Central America to the Andes – needed, indeed, in an overwhelming majority of countries -- cannot be made into reality for lack of money. This Organization cannot continue to operate with a policy of zero budgetary growth, compounded by a persistent loss of purchasing power caused by changing market conditions.

The draft Budget Resolution prepared for the upcoming General Assembly contains a procedure the member states could use to place the finances of the Organization on a firmer footing. A special session of the OAS General Assembly could be held no later than January 31, 2006 to consider and approve a revised scale of Regular Fund quota assessments for 2007. This would enable the member states to authorize a significant budgetary increase. To document the need, I submitted a paper illustrating the costs of some of the immediate needs of the General Secretariat. The total came to over \$23 million. Yet even this increase would merely restore funding to levels before the coming of the democratic revolution and its expectations.

On January 25, 2005, one of the Presidents I once served, Jimmy Carter, came to the OAS to deliver the first in the new Lecture Series of the Americas. He asked “How is your period as Acting Secretary General going?” I answered “You know, half of my time has been spent worrying about the structure and financing of the OAS.” And he said, “What do you mean”? And I answered, “We haven’t had any change in quotas since 1993. We have been living on a fixed income for 10 years. We can’t go on like this.” He did not believe it. He could not believe it.

The time has come for all of us to believe it.

Luigi R. Einaudi
Acting Secretary General