



# Speech

Organization of American States



**LUIGI R. EINAUDI, ACTING SECRETARY GENERAL OF THE  
ORGANIZATION OF AMERICAN STATES  
TO THE COMMITTEE ON ADMINISTRATIVE AND  
BUDGETARY AFFAIRS  
April 15, 2005 - Washington, D.C.**

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Thank you for inviting me. This is the time of year when the larger delegations breathe a small sigh of relief because they at least can divide up the meetings among delegation members, and the smaller delegations begin to go crazy with overwork. I must tell you that after 6 months today in the functions of Secretary General without an ASG to help and an Organization filled with doubts, I sympathize.

I want to touch upon two significant financial challenges facing the Organization. The two challenges are how to get an increase in the Regular Fund in 2007, and how to finance potential shortfalls in 2005 and 2006.

### 2006 Budget:

First, however, I need to start with the proposed 2006 Budget which you are reviewing now.

As I said in my budget message, the program-budget for fiscal year 2006 begins to implement the structure of the General Secretariat established by Executive Order 05-03, but keeps total expenditures constant at the ceiling of \$76.275 million established by the General Assembly.

This was a particularly difficult budget to design. The budget ceiling is inadequate to meet the operational needs of the Organization.

I would like to make three observations.

First, a correction. As I said in presenting the budget, no Office of the General Secretariat in the Member States will be closed, but previously unfunded positions will not be restored and posts left vacant by retirement will not be filled. This did not seem to be the case when the budget as first printed mistakenly showed the Director positions in the Offices in Suriname and Uruguay as un-financed while listing director positions in the Offices in Nicaragua and Saint Lucia as funded. The reverse is true and those errors are rectified in a Fe de Errata circulated today.

Second, a clarification. As this body knows best, a decade of steadily declining funding has eliminated the Organization's reserves, making it impossible for the Organization to respond to crises without specific funds. It has also gradually eroded our organizational capacity at the very time that mandates were increasing. Since the Summit process began in 1994, this organization has lost one out of every four Regular Fund positions.

The \$23 million supplemental document presented to you two weeks ago does not address the question of restoring reserves; rather it illustrates the costs of many immediate needs of the General Secretariat. It identifies specific examples of existing shortfalls in the Organization's ability to implement mandates or pay for non-discretionary costs due to a lack of resources.

I would draw your attention in particular to the section on the Department of Administration and Finance, where the 2005 and 2006 Budgets project cuts in building maintenance and services; and on critical infrastructure systems, such as telephone and information technology; which will impact the Organization's efficiency and productivity.

And this brings me to my third point, to continue activities of immediate interest to member states, the Budget consciously under-funded buildings and grounds maintenance, infrastructure repairs and information technology. The absence of reserves specified for such contingencies is already leading to difficulties to which I shall return in a minute.

All told, however, the 2006 Budget represents our best and fairest effort. I hope that you will be able to approve it.

Seeking a significant increase in the Regular Fund Budget for 2007:

Our biggest planning challenge is how to increase the Regular Fund Budget of the Organization to enable effective delivery of services. Given government funding-cycles, trying to achieve an increase in the 2007 Budget is in itself optimistic. Unfortunately, unless we secure additional resources by 2007, this Organization is headed for inoperability and paralysis.

The Draft Budget Resolution before you provides a strategy for obtaining a significant Regular Fund Increase in 2007. The Resolution first seeks to convoke a special session of the OAS General Assembly for no later than January 31, 2006, for the purpose of considering and approving a revised scale of Regular Fund quota assessments for 2007.

The resolution also requests that the Heads of State and Government meeting at the next Summit of the Americas in November 2005, in Mar del Plata, Argentina, take up the issue of the Finances of the Organization and include in the Summit Declaration and Plan of Action the commitment to raise the OAS Regular Fund Budget for 2007 to at least \$110 million.

Finally, the Draft Resolution would instruct the General Secretariat to submit to the Preparatory Committee a proposed program-budget for the year 2007 at the level for which the Secretary General can demonstrate available financing, but not to exceed US\$110 million – subject of course, to the January Special General Assembly having approved a new and equitable scale of assessments.

The Draft Resolution also establishes a voluntary mechanism to help finance shortfalls in the 2006 Budget, especially for building maintenance, infrastructure, security and other essential common costs. This mechanism, which is based on voluntary contributions, could also be used – if sufficient contributions are received -- to begin to finance some of the other operational needs described in the \$23 million supplemental document.

This draft resolution is designed to set in motion a sequence of events and decisions which could give the Organization the solid financial foundation it deserves by 2007; and I therefore urge you to consider it carefully.

The target of \$110 million is, I believe questionable in the absence of guidance from the member states or at least from an elected Secretary General with a five-year term. But it is also a minimalist figure in that it restores the organization's finances only to pre-Summit levels.

We will need much more if we are to develop the instruments of solidarity and cooperation I believe the hemisphere needs to support democratic institutional development.

Expected Shortfalls in 2005 and 2006:

The Director of Administration and Finance, Frank Almaguer, will be distributing a fact sheet on expected shortfalls in the 2005 and 2006 budgets which total some \$1.8 million. In the near future, the Secretariat will ask the CAAP to finance approximately \$525,000 of the \$1.8 million for some urgent and essential repairs to our buildings from the dwindling Capital Building Fund.

To make-up for the rest of the shortfall, approximately \$1.3 million, Ambassador Almaguer will be forced to cut back additional cleaning, security and other services – from levels which are even now inadequate. It may not be possible to make-up the entire \$1.3 from cuts and this Committee may be asked to

consider other sources of financing. If approved, the voluntary funding mechanism included in the Draft Budget Resolution could help defray these costs.

Finally, Frank has also prepared a Draft Resolution to authorize a supplementary appropriation of \$1.76 million to pay for the transition costs which will be incurred as the new Secretary General and Assistant Secretary General take office. These too are inevitable costs which must be financed from sources other than the Regular Fund.

To conclude, let me just say that the CAAP has a number of important and difficult decisions to make which will have immediate and much longer-term effects on the Organization.

With the upcoming General Assembly and just as importantly with the upcoming Summit of the Americas in Argentina, we have an opportunity to put our financial house in order. The Secretariat will continue to work diligently and transparently to provide you with ideas and information you need to help you make those decisions.

Thank you.

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