

INTRODUCTION

In fulfillment of the mandate set forth in Articles 91 and 112 of the Charter of the Organization of American States (OAS), I am pleased to present a report on the activities of the Organization and its financial situation for the period from March 1, 2006, to December 31, 2006. This report has been prepared pursuant to the guidelines contained in resolution AG/RES. 331, of 1978.

The Current State of the Americas

In delivering this annual report, it is with great satisfaction that I can affirm that today the Americas are experiencing growth with democracy.

In its most recent report on the economy of the region, the Economic Commission for Latin America and the Caribbean tells us that in 2006 the gross domestic product of Latin America and the Caribbean grew 5.3 percent: a 3.8 percent increase in per capita income. It was the fourth consecutive year of growth and the third in which that growth exceeded 4 percent. And although a slightly lower pace of growth is expected this year, according to all the projections, accumulated growth over the 2003-2007 period is likely to be almost 15 percent.

The emergence of China and India in the global economy, robust economic performance in the United States and the European Union, and the now consolidated recovery of the Japanese economy have generated persistently strong demand for our raw materials. This translated, during 2006, into an 8.4 percent increase in the volume of our total exports, which, combined with improved prices for our principal export products, resulted in an increase of more than 7 percent in our terms of trade, compared to the previous year.

The increase in global demand has also led to an expansion of global liquidity, facilitating investment in our countries, which, simultaneously, have benefited from a decline in inflation from a weighted average of 6.1 percent in 2005 to 4.8 percent in 2006.

This strong economic performance is beginning to have an impact on an area of permanent and particular concern for our Organization: poverty. Also according to ECLAC's own figures, based on direct surveys of households in 18 countries in Latin America, plus Haiti, last year the number of poor appears to have diminished from 209 million to 205 million: in percentage terms a drop from 39.8 percent of the population in 2005 to 38.5 percent in 2006. The number of persons living in extreme poverty, for its part, is said to have fallen by 2 million (from 81 million to 79 million): a decline in percentage terms from 15.4 percent to 14.7 percent. The importance of the progress achieved in this field is even more marked if the 2006 figures are compared with those for 2002, a year in which there were 221 million people living in poverty and 97 million in extreme poverty, so that between 2002 and 2006 the number of people living in poverty fell by 16 million and the number of those living in extreme poverty fell by 18 million. Consequently, the past four years also yielded the best social performance indicators for the region in the past 25 years.

Democracy, too, is developing and consolidating its hold on our region. When I presented my annual report last year, I had occasion to point out that that development was being put to the test by an unprecedented succession of electoral processes and that seven of them had already been

held, as well as two general elections in countries with parliamentary systems of government. Well, by the end of 2006, 22 electoral processes had taken place, involving 34 elections. Between November 2005 and the end of 2006, 12 presidential elections had been held, all of them in Latin America, along with 4 parliamentary elections -- in Canada, Guyana, Saint Lucia, and Saint Vincent and the Grenadines --, two referendums, one Constituent Assembly election, and municipal and regional elections. All these processes -- including those most tightly contested -- were conducted as they should be in democratic societies, in peace, and with massive participation by the electorate and results accepted by all.

This political stability and the practice of democracy have boosted the morale of our citizens. The 2006 edition of the Latinobarometer Report's annual regional survey shows that the percentage of the population that considers that "democracy may have its shortcomings, but it is the best form of government" averaged 74 percent over the year, a sharp increase over the 68 percent of the population that felt that way five years back, in 2002. And that is in even starker contrast with the answer elicited in another Latinobarometer survey, in 2004, which showed that, on average, 55 percent of Latin Americans said they would not mind living under a non-democratic government, provided it solved their country's economic problems.

It is that mindset that we are beginning to shed, along with the image of political instability and economic weakness that haunted us for decades. When our people and our governors look at themselves in the mirror today they see democracy and economic growth and a new current of optimism is beginning to course through our Hemisphere.

The OAS and Democracy

We can assert with pride that the OAS has played its part, too, in forging this turnaround. More than that: our Organization has tried to be alert to any threat of crisis and ever ready to go wherever it was asked to help mediate or facilitate solutions. Thus, in 2006, at the request of the Nicaraguan authorities, we deployed a long-term mission to Nicaragua to provide comprehensive support for that country's electoral process, putting in place a high-level political and technical team and 185 international observers from more than 20 member states. For ten months, the OAS performed on-site monitoring of the political, legal, and technical aspects of the process for electing regional, legislative, and presidential elections.

Similarly, we have continued to lend support to the Government of Ecuador to help ensure the stability of the democratic system. We participated directly as the electoral process unfurled, observing and supporting the relevant actors in the quest for paths of understanding vis-à-vis the political and technical challenges posed by the process. This support was extended to include the newly elected Government authorities, even before they took up their posts, by means of post-electoral missions that placed at their disposal any support they might need from the General Secretariat on political issues. Today, we continue to monitor developments and remain available to act, in a spirit of cooperation and at the request of the Ecuadorian authorities, in any way that may be necessary to strengthen democratic institutions and processes in that country.

During the period covered by this report, we also monitored the Constituent Assembly process in Bolivia, as a result of the agreement signed on April 20, 2006 with the Minister of Foreign

Affairs of that nation. Under that agreement, the Special Mission to Support the Constituent Process and Autonomies was established to provide technical and political support to the Government. Likewise, we provided assistance to members of the Assembly with legislative skills and parliamentary dialogue and negotiation techniques.

During 2006, the OAS Mission to Support the Peace Process in Colombia participated in 14 demobilizations of the *Autodefensas Unidas de Colombia* (AUC, paramilitaries). Through the Fund for peace, the OAS also continued its international political facilitation work in the differendum between Belize and Guatemala. In the Adjacency Zone, we also carried out verification missions and support activities for institutions in both countries, including the armed forces.

In the course of the year we also continued implementation of the Central American Program for Strengthening Democratic Dialogue. Its primary purpose is to build institutional capacity and strengthen local, national and subregional strategies for facilitating political dialogue and establishing mechanisms to manage conflict within the Central American countries.

Our Organization's support to electoral processes in the region has been constant and consistent, with respect to both technical advisory services and direct observation of the processes themselves. And we can be proud of the results, not just because of the remarkable number and variety of democratic elections that have been held – all of them conducted, as I said, in completely normal conditions --, but also because of the respect our Organization has earned as the guarantor and authenticator of those processes.

The Organization of American States monitored 17 of the 22 electoral processes held in the region, mobilizing an extensive team of international observers and experts on the subject. In Central America, the OAS sent electoral observation missions to Honduras, Nicaragua, and El Salvador. In South America, it observed elections in Bolivia, Colombia, Peru, Ecuador, and Venezuela. In the Caribbean, it observed elections in the Dominican Republic, Saint Vincent and the Grenadines, Saint Lucia, and Guyana. Of those elections, seven were presidential, three parliamentary, seven legislative, and four municipal or regional. In the period, two referendums were observed: one in Panama, on expansion of the Canal, and the other in Bolivia, on regional autonomies. In Bolivia, too, the OAS observed the election of members to the Constituent Assembly.

In all these processes, we lent our support and offered guarantees of transparency and impartiality. Today, we can say, without exaggeration, that for ordinary citizens and the most sophisticated analysts of our region alike, the presence of an OAS Observation Mission is a guarantee of the transparency and legitimacy of an electoral process.

One of the essential conditions for the consolidation of democracy, electoral transparency, and, in general, for the protection and security of citizens, is exercise of each one's right to identity. In order to promote the actual exercise of that right, the General Secretariat has designed a Right to Identity Program in Latin America. With that same goal in mind, it has continued to support strengthening the institutional capabilities of civil registries, achieving significant progress with digitalization of the civil registry in Dominica and the signing of two cooperation agreements

with Antigua and Barbuda. A comparative study of civil registries in the Caribbean region was also completed and studies have begun for the start of a civil registry modernization project in Haiti. A key achievement, in this field, was the inauguration of computerized civil registry system in Saint Vincent and the Grenadines.

In the same way, we have continued to promote access to public information both as a key instrument for democratic governance and as an effective mechanism for citizen participation. In this same general area of transparency in public affairs, the Technical Secretariat of the Mechanism for the Implementation of the Inter-American Convention against Corruption (MESICIC) has continued its excellent work. At the Ninth Regular Meeting of its Committee of Experts, five country reports corresponding to the First Round of Review (Guyana, Grenada, Suriname, Brazil, and Belize) were adopted, along with the Hemispheric Report. Likewise, participants at the Second Meeting of the Conference of States Parties to the Mechanism for the Implementation of the Inter-American Convention against Corruption, held at OAS Headquarters, on November 20 and 21, 2006, agreed on the text of the Inter-American Program for Cooperation in the Fight against Corruption that is being submitted to this General Assembly, at its thirty-seventh regular session, for formal adoption.

The OAS and Development

Nor has the OAS been a stranger to development issues. Throughout 2006, we continued to design and execute initiatives that contribute to institution- and capacity-building, to the establishment of successful development policies, and to the mobilization of external resources to support them. In those endeavors, we have sought to base our activities on the fostering of horizontal cooperation among member states, on partnership with the private sector, and on human resource training.

Over the year, we lent support to regional, subregional, and bilateral economic and trade integration processes. To that end, the OAS continued to work in cooperation with the Inter-American Development Bank, ECLAC, the World Bank, and the secretariats of regional organizations, such as the Caribbean Community, Central American Economic Integration (SIECA), the Andean Community of Nations, and the Organization of Eastern Caribbean States.

Panama, Colombia, and Peru recently concluded negotiations for trade agreements with the United States, following intense processes of preparations, dialogue, and consensus-building at the country level. It was incumbent on me, from within the OAS General Secretariat, to support the efforts of these countries during the treaty approval process in the U.S. Congress. I met several times with the congressional leadership to convey how important these agreements are to the signatory countries, and to point out the extremely negative consequences—including political consequences—of their not being approved.

Similarly, in the second half of 2006 I did everything in my power to explain to United States Government officials the importance of renewing the Andean Trade Partnership and Drug Eradication Agreement (ATPDEA)—considering its impact not only on the economies of the countries concerned but also on their political stability and the survival of their institutional frameworks. And that is what I truly believe. I believe in the potential that wider markets and

new investment opportunities offer for the growth of our countries. And I believe that in this way our democracies will become better able to fulfill their promise to improve life for our peoples.

The message was well received in the United States, as indicated by the approval of the treaties recently signed. I hope as well for the success of our efforts to secure renewal of the ATPDEA for Ecuador and Bolivia. And I reaffirm my pledge to continue supporting this proposal in every way.

Also in 2006, the OAS supported member states with designing, programming, and executing horizontal cooperation projects in the area of trade. This took the form of workshops and seminars aimed at sharing successful experiences with administering trade treaties, including such issues as dispute settlement, human and plant health safeguards, and intellectual property.

The Partnership for Development Activities Program for 2006 of the Special Multilateral Fund of the Inter-American Council for Integral Development included 92 projects – 52 multinational and 40 national – totaling more than US\$7.5 million. For the current, ongoing cycle, 110 projects proposals are being reviewed (49 multilateral and 61 national). They were submitted by 33 member countries and 52 of those proposals involve entirely new projects. The total amount required for said projects in the areas of trade, social development, education, culture, science and technology, democracy, tourism, sustainable development and the environment exceeds US\$12 million.

Special attention has been paid to the development of small island economies, especially in areas in which they have comparative advantages, which we have sought to promote. Thus, in 2006, the General Secretariat's Tourism Section continued to support the development of the individual and institutional capacities of small tourism enterprises, at the same time as it continued its work with the Caribbean Disaster Emergency Response Agency, the Caribbean Hotel Association, and the Caribbean Tourism Organization to develop and improve the Multiple Risks Contingencies Planning Manual. In the same area, several training programs on income administration and high quality customer service in the Caribbean were conducted for small tourism enterprises, while in Latin America the OAS continued to assist small hotels and expanded and organized the Latin American network for the development of this sector.

The Organization's concern for the sustainability of the development it promotes is illustrated by the activities carried out by the General Secretariat's Department of Sustainable Development. Its external projects program involves overall project funding of US\$70 million, including counterpart funds, and its annual external projects budget is around US\$8 million. Among the projects being addressed by the OAS, special mention should be made of efforts to promote integrated and sustainable management of water resources by the member states, above all in cross-border basins and coastal zones. These include the Strategic Program of Action for the Bermejo River Binational Watershed; the Framework Project for Sustainable Management of the Trans-border Water Resources of the River Plate Basin; the Environmental Protection and Sustainable Development of the Guaraní Aquifer System; Integrated Actions for Planning the Sustainable Development of the Amazon Region; and Sustainable land management in the Trans-border Ecosystem of the *Gran Chaco Americano*.

Under the Renewable Energy in the Americas program, a bioenergy feasibility study has begun in Saint Kitts and Nevis to review the possibility of converting sugar cane and municipal garbage into energy. A study is also underway on the provision of solar energy electricity to rural schools in El Salvador and senior officials in the energy sector in Mexico, Guatemala, and Dominica have been contacted regarding the possibility of conducting studies on sustainable energy policies and of providing assistance with the implementation of policy and regulatory reforms. A regional feasibility study is also under way on geothermal energy in the Eastern Caribbean.

The General Secretariat's biodiversity program is intended to alleviate poverty by providing greater access to information for decision-making purposes. Two projects – the Inter-American Biodiversity Network and the Amazon-Andes Protected Areas Network – promote the creation and standardization of national and subnational databases on species and specimens, invasive species, ecosystems, protected and pollinating areas, encourage their interoperability, and create computerized products with value added. The Amazon-Andes Protected Areas Network also established an information system to feed an Internet database with data on the status of protected areas in the eight countries comprising the Andes-Amazon basin region.

The OAS and Multidimensional Security

Multidimensional security has become an area of increasing concern for the General Secretariat. As regards drug abuse control, the Secretariat has acted through the Inter-American Drug Abuse Control Commission (CICAD) and that Commission's Permanent Secretariat. In 2006, CICAD approved the follow-up reports to the recommendations of the Third Evaluation Round of the Multilateral Evaluation Mechanism (MEM) and set the Fourth Round in motion. During this thirty-seventh regular session of the General Assembly, you will receive a copy of the report prepared by CICAD, entitled "Achievements of the Multilateral Evaluation Mechanism (MEM): 1997-2007." Every year a report is submitted to the General Assembly on MEM activities; this year's report focuses on the continuity of the attempts CICAD has made for over a decade to measure the efforts of member states to combat the drugs problem.

As regards treatment, work began, in conjunction with the University of the West Indies, on a certification program in addiction studies for the English-speaking Caribbean, to complement the on-line international master's degree in drug addiction studies, already in its third academic year. Likewise, an agreement was reached with Chile's National Council for the Control of Narcotics (CONACE), which demonstrated the benefits of horizontal cooperation and enabled the OAS to learn from this institution's practical experience.

Fifteen regional training seminars on reducing the supply of illicit drugs were held for police and customs officers, and in the pilot phase of the Andean Countries Cocoa Export Support Opportunity (ACCESO) project funds were provided to train 55 field experts. The OAS also participated in a model consortium of seven Peruvian institutions to set up 48 local schools for Peruvian farmers, an experience that will be replicated for other countries. Training programs and mock money laundering trials have also been carried out and assistance has been provided to member states in administering goods confiscated in anti-drug trafficking and money laundering operations. Finally, it is worth noting that 2006 marked the graduation of the first set of students to complete the online training program on research into drug issues in the Americas, designed for health professionals.

For its part, the Inter-American Committee against Terrorism (CICTE) continued to foster cooperation among member states in its sphere of competence, by providing training and technical assistance in its ten programs: cybersecurity, airport security, port security, document security and fraud prevention, immigration and customs controls, legislative assistance and counseling, financing of terrorism, security in the tourist industry, exercises in crisis management, and policy formulation and international coordination. The Secretariat of CICTE is currently working on projects in partnership with more than 20 international or regional organizations, including, among others, various United Nations agencies, the International Maritime Organization, the International Civil Aviation organization, APEC's security and counter-terrorism task forces, and the Organization for Security and Cooperation in Europe/ Council of Europe

Hemispheric efforts to combat terrorism were particularly boosted by the approach taken by the nine Caribbean countries hosting the 2007 World Cricket Cup, which orchestrated an impressive prevention program, and by Brazil's intention to mount a similar program for the XV Pan American Games it will be hosting. These gestures by member states of our Organization have helped show that dealing with this problem is not just a responsibility of governments and that it is necessary to foster and raise awareness among all citizens of the region that security is a matter that concerns us all and which we should all responsibly address.

In the area of public security, a three-year agenda is being prepared to address a series of issues that the General Secretariat has been confronted with for some time. Thus, with respect to gangs, an attempt is being made to join forces with all those organizations in the inter-American system that are facing the problem and nine projects have been designed, with execution to begin this year. With regard to firearms, ammunition, and explosives the Second Meeting of the CIFTA-CICAD Group of Experts completed model legislation on the marking and tracing of firearms. A seminar was also held in Santiago, Chile on the handling of arms in custody and destruction processes, and two initiatives materialized that were aimed at helping the governments of Nicaragua and Colombia destroy arms, ammunition, and explosive remnants of war.

The Program for Comprehensive Action against Antipersonnel Mines in Central America (AICMA) also continues to support demining activities in Colombia, Ecuador, Nicaragua, and Peru. In 2006, with technical advice from the Inter-American Defense Board, support was provided to help member states remove approximately 6,500 antipersonnel landmines, thereby clearing almost 400,000 square meters of land. Likewise, in collaboration with the National Technological Institute of Nicaragua, the OAS continued lending support to survivors of landmine explosions in that country. The OAS has also established a victims assistance program in Colombia, through that country's Integral Rehabilitation Center. Finally, as part of the preventive education component for populations affected by mines, AICMA supported awareness campaigns for over 225,000 people living in affected areas.

On October 2006, the OAS Permanent Council approved the Hemispheric Plan of Action against Transnational Organized Crime. To address this pressing matter, the General Secretariat played an active part, through its Department for the Prevention of Threats against Public Security, in a number of seminars and workshops held in the period under review.

The OAS and Human Rights

Respect for human rights has continued to be a priority concern of our Organization. In 2006, the Inter-American Commission on Human Rights (IACHR) met on three occasions. During its 124th period of sessions, it held 61 hearings on individual cases and petitions, precautionary measures, and general and specific human rights situations in a number of states and regions. In the hearings of a general nature, the IACHR received information on the human rights situation in Bolivia, Colombia, Guatemala, Haiti, Mexico, Peru, and Venezuela, as well as on specific issues in the United States, Nicaragua, and Brazil. In the course of those hearings, the IACHR also received information on vulnerable groups, including indigenous peoples, women, persons deprived of their liberty, migrant workers, children, and adolescents.

In response to an invitation from the Government of Guatemala, the Commission held its 125th period of sessions in that country. Holding a period of sessions away from Headquarters turned out to be fundamental as a means of giving the Commission access to direct dialogue, on the territory of one of the member states, with government officials and key players in society. In addition, the Commission had the opportunity to conduct two hearings on individual cases and nine hearings of a general and/or thematic nature.

At its 126th period of sessions, the Commission held 48 hearings on individual cases and petitions being processed, as well as on overall human rights situations. It also adopted amendments to its regulations and rules of procedure for appointing special rapporteurs. During those hearings, the IACHR received general information on the human rights situation in Cuba, Chile, Haiti, and Venezuela. The Commission also received information regarding Colombia, Peru, Brazil, and Mexico and on the situation of people living near the border between Ecuador and Colombia. The Commission was also briefed on such topics as the situation of women and of persons deprived of their liberty, and the status of rights of the child.

In the course of the year, commissioners visited Colombia, Bolivia, Brazil, Argentina, and Peru, and the rapporteurships on specific subjects continued their activities devoted to protection and promotion of human rights and to advisory services for member states.

In 2006, the IACHR submitted 14 contentious cases and 13 applications for provisional measures for consideration by the Inter-American Court of Human Rights. During that period, the Court adopted decisions that continue to contribute to the formation and consolidation of inter-American jurisprudence in this field. Among the most important jurisprudential contributions of the Court in 2006 were its rulings on: right to life, personal integrity (right to human treatment), personal liberty, decent life (*vida digna*), judicial guarantees (right to a fair trial), freedom of thought and expression, right to equal protection, obligation to make reparation, duty to adopt domestic legal provisions, private property, recognition of legal personality, rights of the child, freedom of movement and residence, freedom from slavery and involuntary servitude, protection of honor and dignity (right to privacy), detentions and forced disappearances, extrajudicial executions, prison conditions and situations, detention conditions, indigenous rights, ancestral lands of indigenous communities, torture and cruel, inhuman, and degrading treatment, investigation of torture, liability of the State for acts by third parties, forced displacement of persons, hospitalization conditions, duty to prosecute and punish perpetrators, denial of justice,

access to public information, impunity, adapting of domestic legislation, amnesty laws, and women's rights.

Administration and finance

This presentation cannot fail to mention our administrative and financial situation. I should begin by saying we have also made great strides in this regard and are no longer prone to the fits and starts of previous years, when it was common to find huge gaps between what was desirable and what was feasible in terms of the budget and, what is more, between commitments undertaken and the financial capacity to meet them.

In 2006, the General Secretariat invested more than US\$140 million in the Organization's programs and services, of which approximately 45 percent came from specific and voluntary funds. Cooperation for development activities accounted for approximately 23 percent of the consolidated 2006 budget and roughly the same percentage was invested in activities aimed at strengthening democracy and good governance. A further 13 percent financed multidimensional security projects; 12 percent financed member state requirements (including national offices and the operating expenses of the Permanent Council and other political organs of the Organization); and approximately 5 percent was used to support human rights programs.

My personal pledge is to pursue these efforts and to continue striving to improve the work of our Organization. With that purpose in mind, I have presented to the General Assembly, through the Preparatory Committee, a proposed program-budget for the Regular Fund that envisages total nominal expenditure of US\$87.5 million, which is in real terms equivalent to the US\$81.5 million ceiling established at the thirty-sixth regular session of the General Assembly. A 3.6 percent nominal terms increase has been added to the US\$81.5 million to cover the cost of living (COLA) increase in 2007, together with an additional 3.7 percent designed to cover the estimated cost-of-living increase for 2008 (equivalent to US\$3.1 million). I also asked the Preparatory Committee to recommend that the General Assembly allocate US\$83.3 million in quotas and US\$4.2 million in other revenue to finance that budget.

The quota adjustment entailed in this proposal, vis-à-vis the 2006 budget, will signify a one-off adjustment of 7.4 percent to cover the cost-of-living increases for 2007 and 2008.

In order to ensure that both expenditure and revenue of the Organization are maintained in real terms on the basis of the balanced budget I have presented, I also requested the Preparatory Committee to propose that the General Assembly adopt, as of 2009, a semi-automatic mechanism for adjusting quotas in line with inflation.

This procedure for maintaining the real value of the budget reflects a need currently felt by all multilateral organizations and to which most of them are responding in a similar fashion. Thus, the United Nations adjusts its budget half way through its budgetary cycle to take account of such factors as the impact of inflation, exchange rate fluctuations, and adjustments in personnel costs resulting from implementation of the recommendations of the International Civil Service Commission.

This position is consistent with the opinion of the OAS Board of External Auditors expressed in its report on the results of the Audit of Accounts and Financial Statements presented to the Permanent Council during the first week of May. The Board, in addition to issuing an unqualified opinion and making a very positive assessment of the Organization's financial situation, recommended giving "prompt and due attention" to this proposal and requested that this Assembly establish the automatic process requested.

In conclusion, I would like to thank the delegates to the Permanent Council for their constant concern and their contributions regarding the sound political and administrative operations of our Organization. Likewise, I want to express appreciation to the General Secretariat staff as a whole for their selfless and loyal collaboration. In submitting this report on 2006 activities, I also wish to express the hope that in 2007 we will be successful in making the necessary political strides toward consolidating the moment of growth in democracy that our region is experiencing and in strengthening the positive administrative workings of the Organization, which should be a model of the efficiency, transparency, and good governance that it endeavors to promote in the Americas.