

# Panama's financial reform agenda must prioritize combating tax evasion – UN expert

11 May 2017 – Following last year's leak of confidential financial documents from a Panama law firm, a United Nations rights expert yesterday called on the countries' authorities to continue to impose greater due diligence on financial and banking institutions.

Juan Pablo Bohoslavsky [said](#) that such reforms would enable parties to prevent and denounce tax fraud, rather than facilitating or taking advantage of them.

"The main component of illicit cash flows at the global level is tax fraud. These funds, which circulate and are deposited in the shadows of the financial and corporate systems, consolidate poverty and inequality in the world," the UN Independent Expert on foreign debt and human rights stressed.

Asked by *UN News* if this lack of regulations on taxes is what made Panama appear to some as a "fiscal paradise," Mr. Bohoslavsky noted that the tax component is the most important when companies and wealthy people choose to do business in one country or another, or when simply transferring their funds between countries.

Previously revealed documents, which popularly have been associated with the 'Panama Papers,' have shown how corporations, wealthy individuals and politically exposed persons have systematically hidden assets in more than 21 offshore jurisdictions.

While the expert said the focus of the Panamanian authorities should be on the fight against tax evasion, he also acknowledged their efforts to promote financial and corporate transparency and to strengthen the financial regulatory system, adding that Panama now has a more robust system than it did a few years ago.

As for his eight-day Panama visit, he said: "The most onerous tax evasions must be severely punished within the framework of a comprehensive strategy covering all dimensions of tax fraud." He added that financial and non-financial intermediaries have the 'duty of knowing the client' and should have the obligation to report suspicious transactions.

In the briefing the expert further advocated for the adoption of clear legislation "to prevent conflicts of interest of public officials and to ensure the autonomy of regulatory agencies."

He added that such evasion consolidate poverty and inequality because it deprives social programs and services of resources, and does not allow public investment in productive infrastructures that drive development.

In this regard Mr. Bohoslavsky recalled that reducing illicit financial flows

is clearly linked to reducing poverty and social inequality and will advance the [2030 Agenda](#) and the corresponding Sustainable Development Goals ([SDGs](#)).

Curbing such flows was also agreed to at the Third International Conference on Financing for Development held in July 2015 in Addis Ababa. The outcome, referred to as the [Addis Ababa Action Agenda](#) calls for strengthening support for the work of the [UN Committee of Experts on International Cooperation in Tax Matters](#) to improve its effectiveness and operational capacity, and engagement with the UN Economic and Social Council.

Independent experts or special rapporteurs are appointed by the Geneva-based Human Rights Council to examine and report back on a country situation or a specific human rights theme. The positions are honorary and the experts are not UN staff, nor are they paid for their work.