

AFGHANISTAN

WORLD RANK: **N/A** | REGIONAL RANK: **N/A**
 ECONOMIC FREEDOM STATUS: **NOT GRADED**

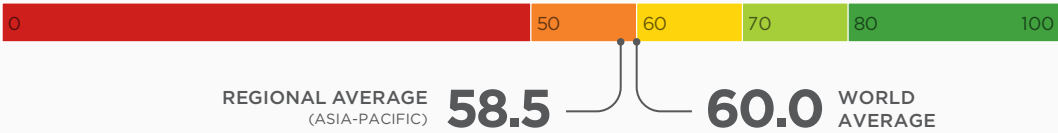
The grading of Afghanistan's economic freedom has been suspended in this edition of the *Index* because of the Taliban's abrupt displacement of the democratic government in August 2021. Key economic data have been included where available.

Before the takeover, Afghanistan had achieved a decade of rapid yet volatile economic growth. Construction and agriculture have been the key contributors to economic expansion. Afghanistan became a member of the World Trade Organization in 2016. Unless current trends are reversed, political uncertainty and security challenges can be expected to have a significant impact on the country's level of economic freedom.

IMPACT OF COVID-19: As of December 1, 2021, 7,309 deaths had been attributed to the pandemic in Afghanistan, and the government's response to the crisis ranked 146th among the countries included in this *Index* in terms of its stringency. The economy contracted by 5.0 percent in 2020.

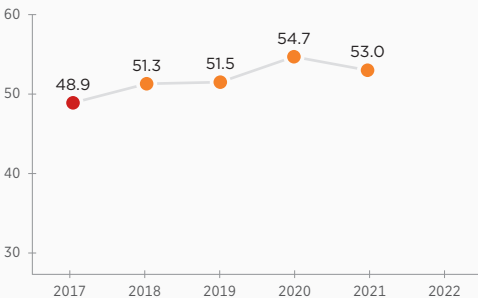
ECONOMIC FREEDOM SCORE

N/A



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2017): N/A

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
38.9 million

GDP (PPP):
\$78.7 billion
-5.0% growth in 2020
5-year compound annual growth 1.0%
\$2,390 per capita

UNEMPLOYMENT:
11.7%

INFLATION (CPI):
5.6%

FDI INFLOW:
\$13.0 million

PUBLIC DEBT: 7.8% of GDP

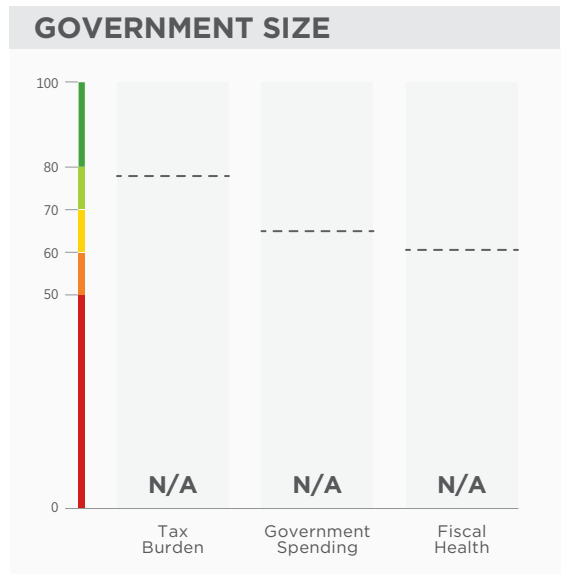
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: The withdrawal of U.S. forces from Afghanistan in August 2021 was followed by the Taliban's rapid seizure of provincial capitals and, within weeks, the national capital of Kabul. Economic, political, and security conditions in Afghanistan remain volatile and uncertain. International assistance accounted for an estimated 19.37 percent of gross national income in 2017, and the country's living standards are among the lowest in the world. Legal exports include table grapes and raisins, but the economy remains heavily dependent on the illicit cultivation of opium.

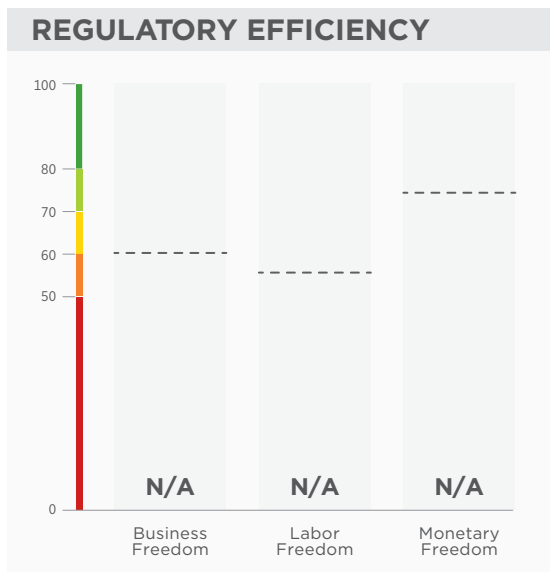
12 ECONOMIC FREEDOMS | AFGHANISTAN



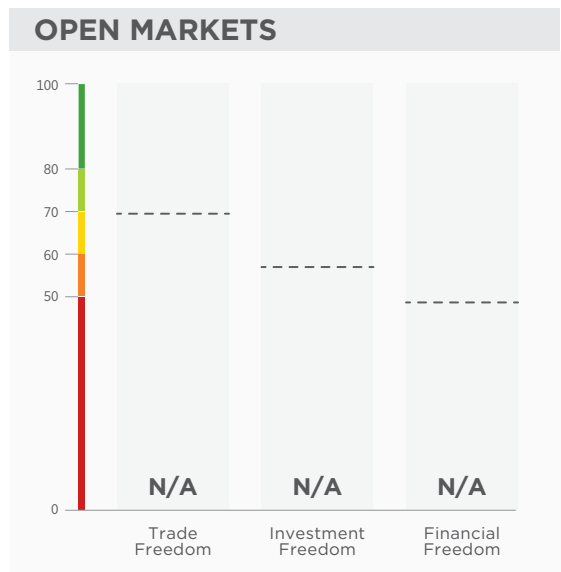
Even before the Taliban takeover, most owners of real property had only customary title. Surveys were rare. Protection of property rights was weak. Commercial court procedures were slow, and the judicial system operated haphazardly through a mix of legal codes overseen by inadequately trained judges and local elders. Corruption permeated society and hampered economic development. Reforms to reduce corruption were stalled. Overall, the evenhanded rule of law is extremely uncertain.



The top individual income tax rate is 20 percent, and the top corporate tax rate is 20 percent. The overall tax burden equals 7.5 percent of total domestic income. Government spending has amounted to 29.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.6 percent of GDP. Public debt is equivalent to 7.8 percent of GDP.



The Taliban's control of key transportation routes and cities puts many businesses at risk from violence. Labor freedom and business freedom among women and girls have become more precarious. Afghanistan's severely underdeveloped financial system and the Taliban government's relative lack of access to financial resources and international aid will limit the government's ability to conduct monetary policy.



Afghanistan has two preferential trade agreements in force. The trade-weighted average tariff rate is 5.7 percent, and 22 nontariff measures are in effect. Legal and security obstacles still severely impede much-needed investment. The underdeveloped financial system's limited capability hampers entrepreneurial growth. Enforcement of laws governing banking is not effective, and the sector remains fragile.