AFGHANISTAN

Afghanistan’s economic freedom score is 51.5, making its economy the 152nd freest in the 2019 Index. Its overall score has increased by 0.2 point, with advances in labor freedom, property rights protection, and judicial effectiveness outpacing declines in business freedom and monetary freedom. Afghanistan is ranked 39th among 43 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

The improved availability of key economic data made it possible to grade Afghanistan’s economic freedom for the first time in the 2017 Index. Its score in the 2019 Index reflects steady, incremental improvement in several economic freedom indicators. Over the past decade, economic growth has been volatile but rapid, with construction and agriculture the key contributors to economic expansion. Political uncertainty, corruption, and security challenges remain formidable, and the rule of law remains fragile and uneven across the country.

BACKGROUND: Former World Bank technocrat Ashraf Ghani became president of this mountainous and landlocked country in 2014 following an election marred by allegations of vote rigging. After much political wrangling, President Ghani and former Foreign Minister Abdullah Abdullah formed a unity government with Abdullah as the newly created chief executive officer. Timing of the scheduled 2019 presidential election will likely depend on progress in talks with the Taliban. Afghanistan is heavily dependent on international military and economic assistance, which constituted an estimated 4 percent of GDP in 2016, and its living standards are among the lowest in the world. Licit exports include table grapes and raisins, but the economy remains heavily dependent on illicit opium cultivation. An ongoing insurgency and drought have hampered economic growth.

ECONOMIC FREEDOM SCORE

51.5

REGIONAL AVERAGE
(ASIA-PACIFIC REGION) 60.6
WORLD AVERAGE 60.8

RELATIVE STRENGTHS:
Fiscal Health and Tax Burden

HISTORICAL INDEX SCORE CHANGE (SINCE 2017):
+2.6

CONCERNS:
Investment Freedom, Financial Freedom, and Property Rights

FREEDOM TREND

<table>
<thead>
<tr>
<th>Year</th>
<th>Freedom Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>48.9</td>
</tr>
<tr>
<td>2016</td>
<td>51.3</td>
</tr>
<tr>
<td>2017</td>
<td>51.5</td>
</tr>
<tr>
<td>2018</td>
<td>51.5</td>
</tr>
<tr>
<td>2019</td>
<td>51.5</td>
</tr>
</tbody>
</table>

QUICK FACTS

POPULATION: 35.5 million
GDP (PPP): $69.6 billion
2.5% growth in 2017
5-year compound annual growth 2.9%
$1,958 per capita

UNEMPLOYMENT: 8.8%
INFLATION (CPI): 5.0%
FDI INFLOW: $53.9 million
PUBLIC DEBT: 7.3% of GDP

BACKGROUND: Former World Bank technocrat Ashraf Ghani became president of this mountainous and landlocked country in 2014 following an election marred by allegations of vote rigging. After much political wrangling, President Ghani and former Foreign Minister Abdullah Abdullah formed a unity government with Abdullah as the newly created chief executive officer. Timing of the scheduled 2019 presidential election will likely depend on progress in talks with the Taliban. Afghanistan is heavily dependent on international military and economic assistance, which constituted an estimated 4 percent of GDP in 2016, and its living standards are among the lowest in the world. Licit exports include table grapes and raisins, but the economy remains heavily dependent on illicit opium cultivation. An ongoing insurgency and drought have hampered economic growth.

BACKGROUND: Former World Bank technocrat Ashraf Ghani became president of this mountainous and landlocked country in 2014 following an election marred by allegations of vote rigging. After much political wrangling, President Ghani and former Foreign Minister Abdullah Abdullah formed a unity government with Abdullah as the newly created chief executive officer. Timing of the scheduled 2019 presidential election will likely depend on progress in talks with the Taliban. Afghanistan is heavily dependent on international military and economic assistance, which constituted an estimated 4 percent of GDP in 2016, and its living standards are among the lowest in the world. Licit exports include table grapes and raisins, but the economy remains heavily dependent on illicit opium cultivation. An ongoing insurgency and drought have hampered economic growth.

BACKGROUND: Former World Bank technocrat Ashraf Ghani became president of this mountainous and landlocked country in 2014 following an election marred by allegations of vote rigging. After much political wrangling, President Ghani and former Foreign Minister Abdullah Abdullah formed a unity government with Abdullah as the newly created chief executive officer. Timing of the scheduled 2019 presidential election will likely depend on progress in talks with the Taliban. Afghanistan is heavily dependent on international military and economic assistance, which constituted an estimated 4 percent of GDP in 2016, and its living standards are among the lowest in the world. Licit exports include table grapes and raisins, but the economy remains heavily dependent on illicit opium cultivation. An ongoing insurgency and drought have hampered economic growth.

BACKGROUND: Former World Bank technocrat Ashraf Ghani became president of this mountainous and landlocked country in 2014 following an election marred by allegations of vote rigging. After much political wrangling, President Ghani and former Foreign Minister Abdullah Abdullah formed a unity government with Abdullah as the newly created chief executive officer. Timing of the scheduled 2019 presidential election will likely depend on progress in talks with the Taliban. Afghanistan is heavily dependent on international military and economic assistance, which constituted an estimated 4 percent of GDP in 2016, and its living standards are among the lowest in the world. Licit exports include table grapes and raisins, but the economy remains heavily dependent on illicit opium cultivation. An ongoing insurgency and drought have hampered economic growth.

BACKGROUND: Former World Bank technocrat Ashraf Ghani became president of this mountainous and landlocked country in 2014 following an election marred by allegations of vote rigging. After much political wrangling, President Ghani and former Foreign Minister Abdullah Abdullah formed a unity government with Abdullah as the newly created chief executive officer. Timing of the scheduled 2019 presidential election will likely depend on progress in talks with the Taliban. Afghanistan is heavily dependent on international military and economic assistance, which constituted an estimated 4 percent of GDP in 2016, and its living standards are among the lowest in the world. Licit exports include table grapes and raisins, but the economy remains heavily dependent on illicit opium cultivation. An ongoing insurgency and drought have hampered economic growth.

BACKGROUND: Former World Bank technocrat Ashraf Ghani became president of this mountainous and landlocked country in 2014 following an election marred by allegations of vote rigging. After much political wrangling, President Ghani and former Foreign Minister Abdullah Abdullah formed a unity government with Abdullah as the newly created chief executive officer. Timing of the scheduled 2019 presidential election will likely depend on progress in talks with the Taliban. Afghanistan is heavily dependent on international military and economic assistance, which constituted an estimated 4 percent of GDP in 2016, and its living standards are among the lowest in the world. Licit exports include table grapes and raisins, but the economy remains heavily dependent on illicit opium cultivation. An ongoing insurgency and drought have hampered economic growth.

BACKGROUND: Former World Bank technocrat Ashraf Ghani became president of this mountainous and landlocked country in 2014 following an election marred by allegations of vote rigging. After much political wrangling, President Ghani and former Foreign Minister Abdullah Abdullah formed a unity government with Abdullah as the newly created chief executive officer. Timing of the scheduled 2019 presidential election will likely depend on progress in talks with the Taliban. Afghanistan is heavily dependent on international military and economic assistance, which constituted an estimated 4 percent of GDP in 2016, and its living standards are among the lowest in the world. Licit exports include table grapes and raisins, but the economy remains heavily dependent on illicit opium cultivation. An ongoing insurgency and drought have hampered economic growth.
Protection of property rights is weak due to a lack of a comprehensive land titling system, disputed land titles, and slow-moving commercial courts. The judicial system operates haphazardly, and justice is often administered based on a mixture of legal codes by inadequately trained judges and local elders or shuras. Corruption is endemic throughout society and hampers economic development. Reforms to reduce corruption have stalled.

The top income and corporate tax rates are 20 percent. The overall tax burden equals 5.0 percent of total domestic income. Over the past three years, government spending has amounted to 25.6 percent of the country’s output (GDP), and budget deficits have averaged 0.6 percent of GDP. Public debt is equivalent to 7.3 percent of GDP.

Processes for establishing businesses and obtaining necessary licenses are relatively streamlined, but other structural barriers persist. The presence of a large informal economy continues to dampen development of a functioning labor market. The government has a limited influence over monetary stability because of Afghanistan’s severely underdeveloped financial system.

The combined value of exports and imports is equal to 55.9 percent of GDP. The average applied tariff rate is 7.0 percent. As of June 30, 2018, according to the WTO, Afghanistan had 22 nontariff measures in force. Security concerns and the financial system’s weak capacity have slowed investment growth. The financial sector remains underdeveloped, and trust in the banking system has been undermined.