AFGHANISTAN

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.

Political uncertainty and security challenges remain formidable. The rule of law continues to be fragile and uneven across the country. The inability to deliver even basic services reliably has eroded confidence in the government, and pervasive corruption exacerbates the loss of trust. The Afghan economy’s private sector is severely hampered by regulatory deficiencies.

BACKGROUND: The Taliban’s recapture of Afghanistan in August 2021 has had dire economic, political, and security consequences. With the world’s lowest living standards, Afghanistan is experiencing economic, health, and humanitarian crises; food insecurity is especially acute. The Taliban have initiated a security crackdown in Panjshir province where resistance to their rule is most pronounced. Legal exports include carpets, rugs, dried fruit, and medicinal plants. The Taliban have begun a public campaign to enforce their ban on the illicit cultivation of opium despite its importance to the economy. An attempt to ban opium before the 2001 American intervention met with considerable success.
12 ECONOMIC FREEDOMS | AFGHANISTAN

**RULE OF LAW**

- Property Rights: 5.8
- Judicial Effectiveness: 5.4
- Government Integrity: 12.7

The overall rule of law is weak in Afghanistan. The country’s property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.

**GOVERNMENT SIZE**

- Tax Burden: N/A
- Government Spending: N/A
- Fiscal Health: N/A

The top individual and corporate income tax rates are 20 percent. The tax burden equals 8.4 percent of GDP. Three-year government spending and budget balance averages are, respectively, about 30 percent and –1.7 percent of GDP.

**REGULATORY EFFICIENCY**

- Business Freedom: 34.6
- Labor Freedom: 45.1
- Monetary Freedom: N/A

The fall of Afghanistan to the Taliban left business freedom in disarray and the physical well-being of entrepreneurs far from guaranteed. Labor freedom suffered major blows and setbacks with the fall of Kabul. Monetary stability is fragile.

**OPEN MARKETS**

- Trade Freedom: N/A
- Investment Freedom: N/A
- Financial Freedom: N/A

Trade’s contribution to economic growth has been declining. Inefficient customs administration, inadequate infrastructure, and corruption raise the cost of trade. Security concerns and the financial system’s weak capacity have slowed the growth of private investment.