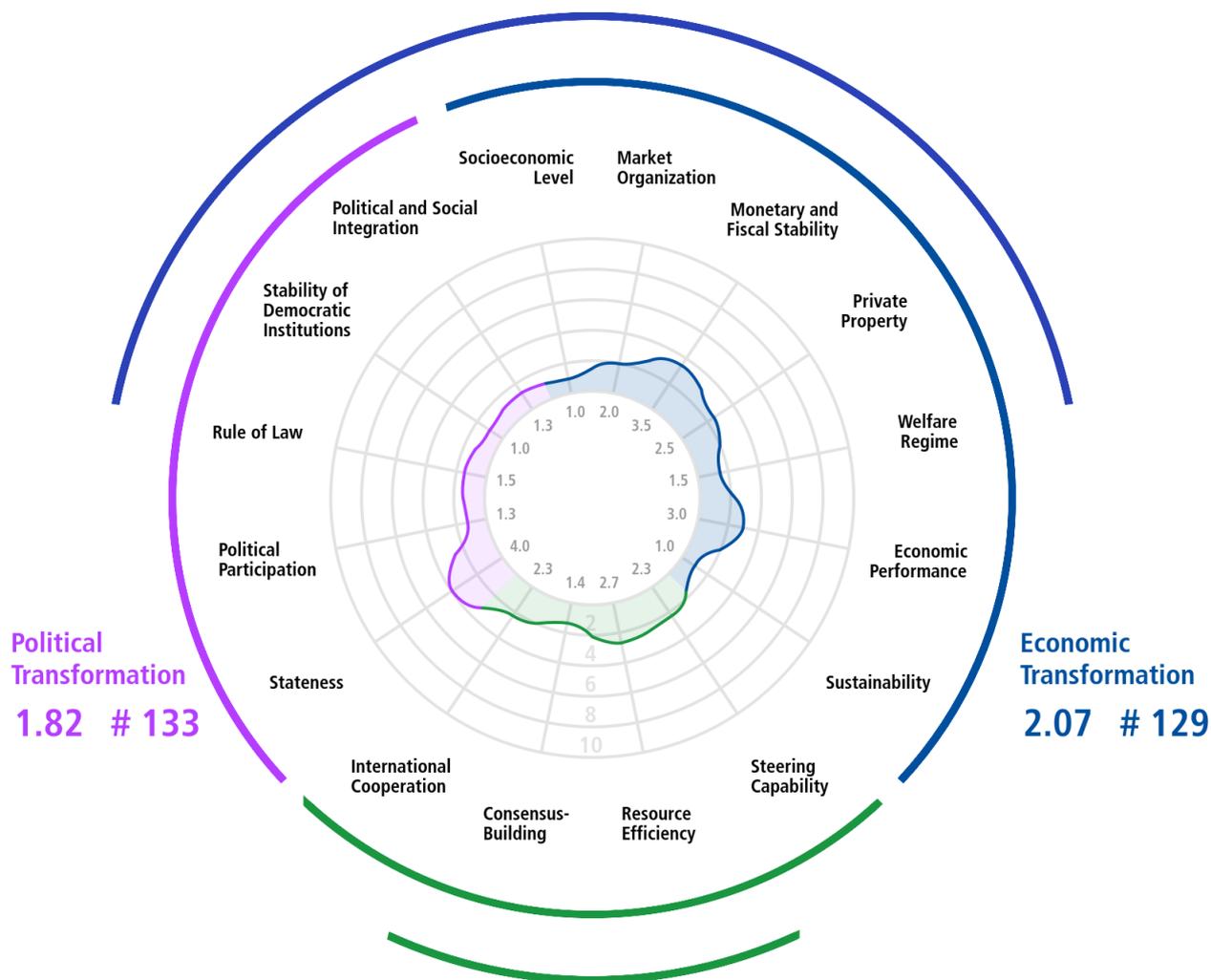


Afghanistan

Status Index

1.94 # 132

on 1-10 scale out of 137



Governance Index

2.14 # 129

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	42.6	HDI	0.496	GDP p.c., PPP \$	-
Pop. growth ¹	% p.a.	2.8	HDI rank of 193	181	Gini Index	-
Life expectancy	years	66.0	UN Education Index	0.384	Poverty ³	% -
Urban population	%	27.3	Gender inequality ²	0.661	Aid per capita \$	73.8

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

The Taliban took control of Afghanistan in August 2021. During the current review period, the group firmly established their power and systematically imposed Shariah-based theocratic ideology across the country and all levels of government. Although the Taliban maintained military control and state institutions were led by members of the ruling elite, several civil administrators from the previous regime remained in technical and lower-level positions of state institutions.

The state sourced part of its revenue from local tariffs and businesses but remained heavily dependent on foreign income in the form of humanitarian aid. With opportunities and personal freedoms severely restricted, educated and skilled citizens, in particular, continued to leave the country. The Taliban continued to curtail women's freedom of movement and expression. They also brought the media under their control, with all TV, radio, and newspaper publications now aligned with the group's political vision.

Overall, this review period was marked by the consolidation of Taliban rule as well as by their efforts to gain national and international legitimacy. Domestically, the Taliban aimed to promote its version of security to foster a sense of legitimacy among Afghans. However, these efforts were undercut by Islamic State (IS) group attacks as well as by widespread poverty, discrimination and a lack of basic socioeconomic security. Internationally, the Taliban pursued formal recognition, but no government – including Muslim-majority nations – formally recognized the Islamic Emirate of Afghanistan (IEA) as a sovereign authority. Afghan citizens continued to rely on passports issued by the Islamic Republic of Afghanistan, and the IEA's white flag remained absent from international events. Although some countries, including Pakistan, China, Russia, and a few Central Asian countries, reopened embassies in Kabul, none granted diplomatic recognition to the IEA.

This report examines two key variables – transformation status and governance status – to assess the status quo of the IEA, its political behavior, and Afghanistan’s overall situation between 2023 and early 2025. The findings point to a profound democratic decline, with all political rights and civil liberties guaranteed under the pre-2021 constitution effectively eliminated by the regime. In practice, the IEA has imposed a closed theocracy.

History and Characteristics of Transformation

In 1973, after 40 years of rule by King Zahir Shah, his cousin and brother-in-law, Mohammad Daoud, seized power in a coup, declaring Afghanistan a republic and abolishing the monarchy. He was later killed in a 1978 coup carried out by the Marxist-Leninist People’s Democratic Party of Afghanistan. Following the Soviet invasion in 1979, Afghanistan’s political landscape became sharply divided between Marxist-Leninist and Islamic factions. Under PDPA rule, backed by the Soviet Union, the very idea of democracy was discredited. Opposition to PDPA policies grew, and the Soviets attempted to mobilize younger Islamist activists. The country plunged into intense warfare between the Soviet-backed regime and the Afghan resistance – the mujahideen – supported by the United States and regional powers.

In 1992, the mujahideen overthrew the Kabul government. Their inability to agree on a governing structure, however, triggered another civil war. In 1996, the Taliban, an emerging movement from Kandahar first organized in 1994, captured nearly 90% of the country, effectively taking control. Their administration imposed strict Islamic rules based on Shariah law, drawing international criticism for systemic discrimination against women and religious minorities.

After the September 11, 2001 terrorist attacks in the United States, the United States invaded Afghanistan, arguing that the Taliban, who had sheltered al-Qaida, shared responsibility. The mission aimed to defeat the Taliban and rebuild the Afghan government on modern, constitutional principles. Hamid Karzai was appointed by an emergency Loya Jirga to lead the interim administration from 2001 to 2002 and was later elected president in 2004 and 2009. Former rebel groups were allowed to join the state-building process only if they opposed the Taliban. As a result, organizations such as Hezb-e Islami and the Taliban were excluded from the 2001 peace talks in Bonn, Germany. Key posts in the new government went to the Northern Alliance, which had fought the Taliban. Billions of dollars in international aid flowed into Afghanistan for reconstruction and institution-building. A democratic constitution was adopted in 2004, and from then until the Taliban’s return in 2021, elections – despite widespread fraud – became a fixture of political life. Internationally supported democratization efforts were expected to end two decades of war, but the conflict continued for two more.

From the 1979 Soviet invasion to the Taliban’s return to power in 2021, Afghanistan endured four distinct phases of war: the Soviet-PDPA campaign against the mujahideen (1979 – 1992); the mujahideen’s internal civil war (1992 – 1996); the fight between the mujahideen and the Taliban (1996 – 2001); and the war between the Taliban and the Islamic Republic of Afghanistan alongside its international allies (2001 – 2021).

After years of fighting between Taliban forces and the Islamic Republic, negotiations that began in Doha in 2018 resulted in a February 2020 agreement between U.S. special envoy Zalmay Khalilzad and the Taliban's political office. It set conditions for the withdrawal of U.S. troops, counterterrorism assurances from the Taliban and a pathway toward intra-Afghan talks. But the conditions for such talks were never met. The Taliban's ideological rigidity, fragmented international engagement and declining U.S. support for Afghan forces led to the failure of negotiations and the Taliban's subsequent military advance.

When the Taliban captured Kabul in August 2021, they established the Islamic Emirate of Afghanistan as a transitional government led by Mullah Hasan Akhund. In the north, scattered resistance groups attempted to mobilize but were quickly defeated. As of this writing, there are no signs of organized combat in the country.

The Taliban's Islamic Emirate exhibits the traits of a "closed autocracy," as defined in comparative political research. Elections are not viewed as a legitimate means of governance, and civil and political rights are absent.

Since taking power, the Taliban have shown no willingness to change their stance on political rights or civil liberties. They reject a Western-style democratic system in favor of Shariah-based rule, which falls outside conventional measures of democratic transformation. The regime faces severe political and economic pressures. Beyond lacking domestic legitimacy, the Islamic Emirate lacks international recognition and sufficient revenue to govern effectively.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The monopoly on the use of force depends on the Taliban's militant units and their suppressive capabilities. Following the U.S. withdrawal in 2021, the Taliban acquired American weapons and military technology worth more than \$85 billion. During the review period, all Taliban military and security units were well-equipped, allowing them to maintain military control over nearly the entire country. This control extended to law enforcement and security institutions. Issues such as lack of professionalism, depreciation of weapons, lack of technically skilled staff, decreasing supplies of ammunition, low institutional capacity and a shortage of funds for soldiers' salaries pose serious threats to the authority of the Islamic Emirate of Afghanistan (IEA). Additionally, terrorist attacks by Islamic State – Khorasan Province (IS-K) and guerrilla operations by the National Resistance Front and the Freedom Front in northern Afghanistan challenge the IEA's dominance.

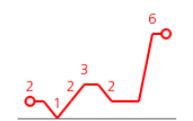
State identity in Afghanistan has historically been defined by ethnolinguistic characteristics, based on a hierarchy of ethnicity and language that both divides the country and determines the exercise of power. As in the civil war of the 1990s, this divide has led to cleavages and conflicts. However, following the Taliban takeover of the country in 2021, issues of state identity have become even more critical. For instance, while the Taliban are predominantly Pashtun, their political agenda has turned secular Pashtuns against them. Some anti-Taliban political factions outside the country, which typically include Pashtuns, express dissatisfaction with the IEA and question its legitimacy as a nation-state through meetings, public forums and social media. Non-Pashtun-led groups in exile, such as the Vienna Process, the National Resistance Council and various other political and civil society movements, do not accept the IEA as legitimate either. Inside Afghanistan, militant groups such as the Resistance Front and the Freedom Front challenge the IEA's legitimacy as a nation-state. Although IEA authorities have not denied citizenship or naturalization to any Afghan, groups subjected to ethnic, religious, gender and political discrimination challenge the notion of equal citizenship in Afghanistan. They contend that there is a

Question
Score

Monopoly on the
use of force

6

'06 _____ '26 10



State identity

6

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hierarchy of citizenship dominated by members of the Taliban. Measured by international standards, the IEA demonstrates alarmingly low levels of legitimacy, resulting in poor stateness and a weak nation-state that lacks national support.

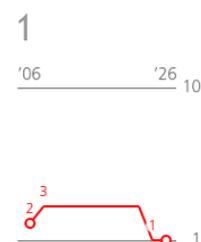
All policies and institutional functions in Afghanistan must conform to Shariah, leaving no space for secular governance. The Taliban's claim to authority is neither rooted in traditional mechanisms of power transfer nor supported by popular vote. They assert that they represent "pure Islam" and derive religious legitimacy from that claim. The country is governed by conservative clerics nationally and locally, most of whom believe that Shariah is the only solution to the nation's issues. This highlights the substantial influence of religion on the legal framework, institutional arrangements and governance. Under the Taliban's Shariah, non-Taliban political activities are banned. Political decisions are made in secret by the Leadership Council, or Shura-e Rahbari, in Kandahar. This governance structure, led by Hibatullah Akhundzada, is composed of Sunni clerics and is deeply theocratic. The Taliban have suspended the 2004 constitution, which combined secular and Islamic norms, replacing it with arrangements and policies substantially influenced by religion or religious dogma.

The Taliban have established a two-track system centered in Kandahar, with executive ministries in Kabul. Hibatullah Akhundzada, the Taliban's supreme leader based in Kandahar, rules through an advisory council known as the Shura-e Rahbari and holds de facto unlimited authority over administration and law enforcement. The government in Kabul functions as the executive arm of the leadership. While the leadership in Kandahar mainly provides the ideological framework for governance through executive orders, ministries in Kabul attempt to implement these orders in a more practical manner in both domestic and international politics.

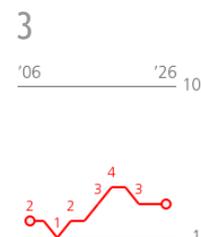
Over time, the IEA has dismantled the Islamic Republic of Afghanistan's administrative structure, abandoned the Afghan democratic constitution and eliminated the independent legislative branch. The Supreme Court is headed by a cleric with ties to the Taliban's leader. The country's administration, represented by ministers and administrators, operates strictly according to the leadership's executive orders.

Overall, the IEA's administration has been underdeveloped. Although Afghanistan's bureaucratic system was run by educated, experienced administrators under the Islamic Republic, the Taliban have replaced these professionals with members of the IEA, most of whom were chosen for their loyalty. Most of these officials have only primary madrassa education and lack knowledge or experience in modern administration and governance. Although the IEA has appointed bureaucrats and administrators from the former regime to offices in the capital and the provinces, almost all administrative bodies are led by Taliban members.

No interference of religious dogmas



Basic administration



Because of weak administrative capacity, access to education, employment, health care, water and other basic needs remains limited throughout the country. Girls beyond sixth grade are not allowed to attend school, and higher education for girls has been suspended. According to UNESCO, an estimated 1.4 million girls are banned from attending school. Employment has dropped significantly for both men and women, but World Bank data indicate a sharper decline in women's employment. The 2024 Humanitarian Needs and Response Plan (HNRP) estimates that 17.9 million people in Afghanistan require health assistance but face a health care system incapable of providing proper services. The World Bank's 2024 World Development Indicators report for 2022 indicates that 82.2% of the population has access to basic water, 56% to basic sanitation and 85.3% to electricity. A closer look at access to electricity is revealing: the share of the population with access fell by 12.4 percentage points from the previous year.

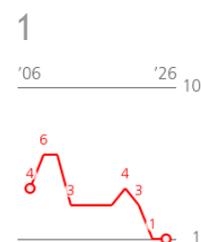
2 | Political Participation

In 2023/24, Afghanistan was characterized by a severe lack of political participation and domination by a single organization, the Taliban, which prohibits political or civil society organizations from engaging in the political process. During the review period, no significant political competition was observed. No Taliban leader has been democratically elected, and the government has not shown any intention to hold elections. Crucially, the IEA has also ruled out traditional tribal assemblies called "jirgas." Therefore, all channels of people's participation in the public sphere are de facto paralyzed.

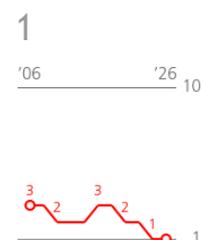
The supreme leader, Hibatullah Akhundzada, a highly reclusive figure, effectively controls all branches of both the Taliban organization and the IEA's administration. He has established a centralized governance structure that makes all segments of the Taliban accountable to him and the Leadership Council. He controls the executive and legislative branches of the IEA, unrestrained by potential veto powers. Opposition to the supreme leader is rare and heavily sanctioned. In 2024, for example, the media reported that Sirajuddin Haqqani, the head of the Haqqani Network, expressed disagreement with the supreme leader regarding the representation of women in the media and other aspects of women's roles in the public sphere. Shortly afterward, he was summoned to Kandahar and has since rarely appeared in the media.

Civil society and assembly rights are severely restricted in Afghanistan. The political sphere is characterized by a total absence of pluralism, political competition, citizen involvement in governance, freedom of assembly and women's inclusion in public life. The IEA has suspended Afghanistan's democratic constitution introduced in 2004, which guaranteed freedom for political and civic groups. Citizens are generally not allowed to form or join civic or political groups. The IEA has invalidated the Republic's Civil Society Law, replacing it with a new policy that recognizes only

Free and fair elections



Effective power to govern



Association / assembly rights

2

specific entities such as labor unions, welfare foundations and charities. All other civil society organizations registered before the Taliban takeover have been shut down or forced to reconstitute under Taliban policy.

Political participation in Afghanistan has steadily declined, reaching its lowest level in recent history. Data from Our World in Data show that Afghanistan scored 1.5 out of 10 for political participation in 2023 and 2024, the lowest score since 2005. Although voter turnout declined to 45.23% in the 2019 elections, the Taliban's takeover has left no political or social participation in decision-making since 2021. This trend was particularly evident during the review period, as civil society organizations have been banned entirely and even student gatherings have been highly securitized by the Taliban.

Upon returning to power, the Taliban pledged to safeguard the freedoms of various communities and ethnicities in Afghanistan. While the new rulers have succeeded in protecting them from decades of violent conflict, ensuring the freedoms of all has proved difficult, especially since the expectations of minorities and urban populations, which are oriented toward liberal-democratic templates, are at odds with the Taliban ideology. Press freedom and political freedoms were effectively nonexistent in 2023 and 2024.

During this period, Afghanistan fell behind even well-known authoritarian countries such as Eritrea, Myanmar, North Korea and Saudi Arabia. Consequently, Afghanistan received a score of 6 out of 100 on the Freedom House Freedom in the World report, including 1 out of 40 for political rights and 5 out of 60 for civil liberties. These low scores reflect widespread political violence targeting opposition groups, women and civil society organizations, as well as particularly strict limitations on the media. The Taliban strictly censor domestic media, preventing citizens from freely expressing their thoughts and beliefs through domestic media and organizations. Almost all prominent Afghan journalists and civil society activists have left the country, establishing new media and civil society organizations abroad. For instance, media outlets such as 8am, Amu and Afghanistan International have become the primary sources of information for Afghans.



3 | Rule of Law

There is no separation of powers, as all decisions are made by the Leadership Council based in Kandahar. There is no parliament or other elected political body to ensure transparent accountability, and no judicial limits on executive or legislative power exist. Under Taliban rule, Afghanistan is subject to Shariah as the legal and spiritual system guiding the country's leadership. According to this body of law, the leader holds all power. Checks and balances should be in accordance with the Quran as well as the Hadith and Sunnah (i.e., the recorded sayings and actions of the Prophet Muhammad and his overall way of life, followed as a model by Muslims).

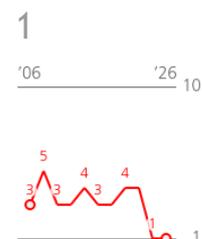
In the absence of an intact constitution, the rule of law is effectively nonexistent in the country. According to the World Bank, with a score of 5.0 out of 100, Afghanistan was one of the five lowest-ranked countries for the rule of law in 2023 and 2024. Afghanistan lacks an independent judiciary and internationally accepted norms of due process in the courts. Rather than adhering to a clear procedural code, judges operate under Hanafi jurisprudence, which is the oldest Sunni school of law and is widely followed across South and Central Asia. Decisions frequently rely on confessions or uncorroborated witness testimony, which falls short of international legal standards.

Justice in Afghanistan is administered according to Shariah. The judiciary is not independent; it is entirely controlled by the government. Although the Supreme Court of Afghanistan is the highest judicial authority, the supreme leader is the central figure in the justice system. Hibatullah Akhundzada has issued dozens of rulings in line with Islamic law. The Ministry of the Propagation of Virtue and the Prevention of Vice also plays a crucial role. While the Shariah-based criminal justice system has been criticized internationally, some segments of the population have praised its swiftness. This stands in contrast to the era of the Islamic Republic of Afghanistan, when courts were bogged down by corruption. To some extent, however, the judiciary was independent then and supported by an administration. This is no longer the case.

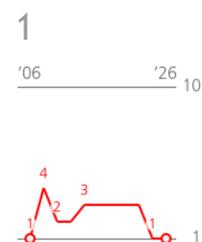
Corruption within the Taliban and within broader patron-client networks continues to undermine the law. The elite largely enjoy immunity. Years of violent political conflict and deep-rooted ethnic, sectarian, religious and gender biases have made public officials more likely to abuse their positions. This culture of impunity has left those in power effectively unaccountable. When Taliban members violate the law or misuse their authority, they are rarely prosecuted. In one widely publicized 2023 case, former Taliban spokesperson Qari Saiid Khosti was accused of abusing a girl in Kabul, yet he faced no penalty.

Although the Taliban claim to strictly enforce Shariah across the country – including against officials who abuse their positions – such enforcement is seldom applied to their own ranks. Only individuals without connections, patronage ties or loyalty to the ruling movement have been subjected to effective but arbitrary law enforcement.

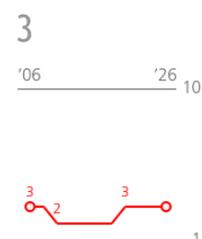
Separation of powers



Independent judiciary



Prosecution of office abuse



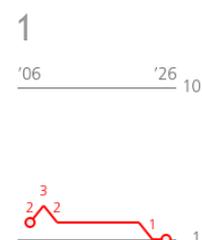
A typical example involves low-level employees, such as staff in the passport office, who are punished on the spot and summarily dismissed. The absence of proper prosecution in these cases underscores the broader lack of the rule of law in the country.

The Taliban's views on law are informed by classical works of Hanafi Islamic jurisprudence, thereby rendering the IEA's law enforcement discriminatory in its treatment of civil rights and liberties. The laws, policies and practices under the Taliban regime fail to guarantee equal treatment for various subgroups of the population due to pervasive discrimination. Legal frameworks favor the dominant party and its members, systematically violating the rights of people who are not affiliated with the IEA or who oppose the Taliban on political, ethnic or gender grounds. In this environment, the regime also restricts individual rights – including freedom of movement and property ownership – often on similarly discriminatory grounds.

Severe government control over civil society and media organizations is in place, with the ruling party prohibiting the establishment of any civil society organization not aligned with Taliban ideology. Gender discrimination may be the most evident example of the infringements noted above. It has not only persisted but has been exacerbated, for example, by banning women's demonstrations demanding civil rights. Girls are still not allowed to attend school or university, and nursing schools were closed to girls and women in 2024. Under Shariah rule, LGBTQ+ orientation and activities are considered un-Islamic and therefore subject to prosecution. Altogether, this amounts to LGBTQ+ people having no rights or liberties at all under Taliban rule. There are no data indicating an exodus of LGBTQ+ individuals due to their orientation, but those who remain in the country typically hide their identities.

During the period covered by this report, laws in Afghanistan were not enforced transparently, independently, predictably, impartially or equally. The government demonstrated poor compliance with existing legislation; courts lacked independence; justice was inaccessible; and the bureaucracy's impartiality, as well as the prevention of corruption, remained highly questionable.

Civil rights



4 | Stability of Democratic Institutions

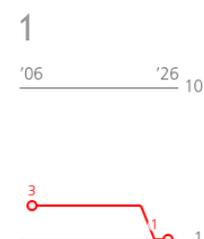
Since the Taliban's rise to power in August 2021 – particularly during this review period – Afghanistan has remained a closed autocracy. Whatever democratic aspects remained have declined significantly. The Taliban's Shariah-based Islamic Emirate leaves no room for democracy. All previously ongoing democratization efforts have ended, making the country one of the most authoritarian regimes worldwide. Not only does the regime disregard political rights and civil liberties in general, but it also excludes women entirely from the public sphere. Repressive rules seek to control the population under the guise of ensuring security. As a result, from 2023 to 2025, Afghanistan is currently one of the least democratic regimes in the world.

The regime has shown no commitment to democratic institutions. Although the IEA announced a public amnesty for opposition groups and parties and called on Afghan professionals to return to the country, it has allowed no political activity unaligned with the Taliban. Furthermore, the regime has shown no intention of creating a legal framework to facilitate the operations of political parties or civil society organizations. No political parties or civil society organizations were permitted to function in 2023 and 2024. Some local organizations with international connections, such as the Afghan Journalists Safety Committee, continue to operate in the country but remain under strict regime control and must adhere to procedures imposed by the General Directorate of Intelligence (GDI). Media outlets still operating in Afghanistan, or at least with reporters in the country, strictly comply with Taliban regulations.

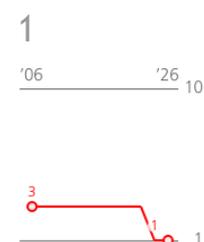
5 | Political and Social Integration

In 2023/24, no political parties were active. After assuming power, the Taliban banned all political parties, claiming they lack justification under Shariah law and are not in the nation's best interest. The Taliban are the single dominant political organization and rule without regard for public consent. The Taliban leadership has dismissed modern political parties and traditional tribal assemblies (jirgas) alike. Instead, the IEA insists that its vision of governance, centered on Islamic consultative councils (shuras) and courts, is the sole framework for addressing domestic issues and resolving conflicts.

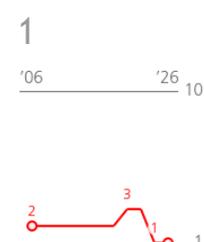
Performance of democratic institutions



Commitment to democratic institutions



Party system

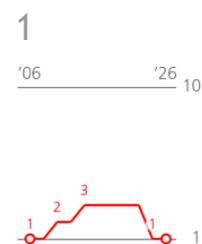


The IEA has systematically excluded interest groups not affiliated with the ruling party. Civil society organizations and movements for human rights and women's rights are generally banned from public activities. During the review period, there were no political or civil society gatherings to voice public demands or advocate for change. Ethnic minority groups, such as the Hazaras, a Shia group that is systematically discriminated against, were prohibited from raising their concerns. Instead, they were compelled to participate in ceremonial events organized by the ruling party, such as the mourning ceremony for the IEA's former minister of migration, Khalil Haqqani, who was reportedly killed in an IS-K attack in December 2024.

The IEA lacks a democratic concept of governance. Support for democracy in the country is hard to measure given ongoing repression of political rights and civil liberties. Media outlets are entirely controlled, and public figures such as Ramazan Bashardost and Faizullah Jalal, who criticized the regime shortly after the takeover, have faced interrogation by the General Directorate of Intelligence (GDI). Women's rights movements, primarily demanding access to education and employment for women, have been forcibly suppressed, and no demonstrations for women's rights were recorded in 2024. The Taliban regime has shown no interest in mechanisms promoting civic engagement or fostering social trust in governance and legal procedures. Although some internationally supported human rights and women's rights NGOs remain active in the country, their operations are tightly controlled and aligned with the Taliban's strict interpretation of Islamic ideology and political pragmatism. Accordingly, the Deobandi narrative, which emphasizes a return to Hanafi jurisprudence, strict adherence to the Quran and Hadith, personal piety and rejection of Western influence and cultural innovations, dictates the boundaries of legality and tolerability.

Social and cultural cleavages, as well as the memories of war, have historically damaged social trust in Afghanistan. Over the 20 years of internationally supported state-building until 2021, the government tried to bridge social and cultural gaps through reconciliation and integration into state institutions and NGOs. However, ethnicity-based politics further deepened these cleavages over time. Although trust between citizens remains fragile, it exists at the individual level through small-scale cooperation. Trust between citizens is traditionally higher in homogeneous rural communities than in more diverse urban neighborhoods.

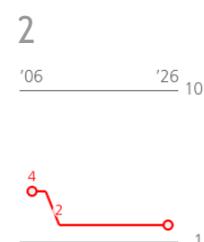
Interest groups



Approval of democracy



Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

Afghanistan faces profound socioeconomic barriers that perpetuate the exclusion of large segments of its population. For example, while the economy showed modest GDP growth of 2.7% in FY 2023/24, this progress has not translated into improved living conditions for most citizens. The IEA's efforts to mitigate corruption have boosted tax revenue and income, but poverty and inequality remain pervasive. More than half of the population lives below the poverty line, according to Human Rights Watch, with 23.7 million people requiring urgent humanitarian aid in 2024, including 12.4 million facing food insecurity and 2.9 million at emergency levels of hunger. The 2024 World Bank report finds that 11.6 million people in Afghanistan experience food insecurity, a situation worsened by climate-induced crises, which the country is ill-equipped to address.

Gender inequality and ethnic and religious discrimination further marginalize large segments of the population. Women are almost entirely excluded from education, employment and public life, with Afghanistan ranking last among 177 rated nations on the Women, Peace and Security Index. Ethnic and religious minorities, including Hindus, Sikhs and Shias, face systemic discrimination and exclusion. Political groups opposing the Taliban's ideology are explicitly denied the right to public expression. Such barriers, rooted in poverty and inequality, severely limit access to education, health care, employment and other essential public services, deepening societal divisions and exclusion.

Afghanistan still relies heavily on cash transactions from international donors for emergency and humanitarian purposes. However, continued reductions in aid have exacerbated poverty and deepened the humanitarian crisis.

Question
Score

Socioeconomic
barriers

1

'06 '26 10

1 1

Economic indicators		2021	2022	2023	2024
GDP	\$ M	14260.0	14497.2	17152.2	-
GDP growth	%	-20.7	-6.2	2.3	-
Inflation (CPI)	%	5.1	13.7	-4.6	-6.6
Unemployment	%	12.0	14.1	14.0	13.3
Foreign direct investment	% of GDP	0.1	-	-	-
Export growth	%	7.2	18.6	-12.1	-
Import growth	%	-21.3	36.7	0.7	-
Current account balance	\$ M	-	-	-	-
Public debt	% of GDP	11.2	10.8	8.4	8.8
External debt	\$ M	3555.8	3393.2	3428.1	-
Total debt service	\$ M	26.0	26.6	43.6	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	21.3	21.8	21.2	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	0.7	0.2	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.8	-	-	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Since the Taliban's takeover in 2021, no substantial reorganization of the market or competitive landscape has occurred in Afghanistan. The economic system remains heavily reliant on transit through and trade with Pakistan and Iran, which serve as gateways to broader trade connections with China and Russia. Exchange with Pakistan continues to generate the most business revenue in the country, and the country's workforce primarily depends on employment opportunities in Pakistan and Iran.

There is little evidence of initiatives aimed at developing market capacity to connect Afghan products to larger Western markets. Consequently, Afghanistan's market remains highly centralized and dominated by the ruling party, with no noticeable efforts to promote competition among domestic suppliers and investors. Furthermore, persistent security concerns and an uncertain economic environment deter both domestic and foreign investors, resulting in a significant decline in investment activity directed toward the Afghan market.

Although the IEA has retained the previous regime's legal frameworks relevant to market governance, interest in investment and competition has waned considerably. The Afghan economy relies heavily on its informal sector, which, according to World Economics data, constitutes an estimated 73.3% of the country's GDP.

Rather than introducing a new framework, the IEA has retained the previous government's Law of Private Investment as the basis for its competition policies. It also continues to use the National Development Corporation (NDC), a previously established state-owned enterprise, as a cornerstone of its economic strategy. The IEA plans to use the NDC for key projects in irrigation, mining and infrastructure development.

The IEA has sought to attract foreign investment by portraying Afghanistan as a safe haven. However, international investors have shown limited interest because of persistent economic and political uncertainty. Although the IEA has expanded its outreach to regional governments, including Pakistan, Iran, China, Russia and Central Asian nations, bilateral trade volumes remain low. The government struggles to establish a well-organized market and provide stable incentives for both domestic and foreign investors.

Compounding the challenges, Afghanistan's banking system is tightly controlled by the regime, and the majority of transactions occur through unregulated "hawala" networks – informal, trust-based systems of money transfer that operate outside traditional banking channels. These networks are not only untraceable but also raise concerns about potential misuse for money-laundering and financing criminal activities.

Market
organization

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Competition policy

2

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The World Bank's December 2024 report highlights Afghanistan's uncertain economic prospects, with significant obstacles such as fiscal constraints, trade imbalances and a limited capacity for public investment. The country's economy remains hampered by international isolation and the weight of sanctions. In 2024, GDP grew by a modest 2.7%, driven primarily by private consumption. This growth, however, has only recovered about 10% of prior economic losses, indicating a fragile and slow recovery trajectory.

Foreign trade cannot currently be considered liberalized. Pakistan, sharing political interests with the IEA, remains Afghanistan's largest trading partner. Other countries, such as those in Central Asia, China and Iran, maintain limited trade with the IEA. This trade is influenced primarily by political relations rather than trade liberalization.

Allowing women to participate in the economy, strengthening domestic resource mobilization, maintaining price stability and addressing critical deficits in human capital could improve market organization and competition, with subsequent positive effects on foreign trade. However, the IEA has shown neither the interest nor the capacity to contribute to these areas. As a result, Afghanistan's trade dynamics remain a significant challenge. According to World Bank data, the country's exports remained stable in 2023/24, while imports surged, leading to a widening trade deficit, which poses a significant risk to the country's economic stability because the IEA cannot provide incentives to increase exports.

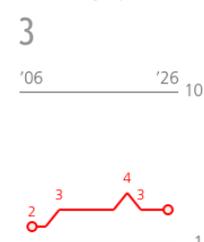
During the Afghan Republic before the Taliban takeover, Afghanistan's banking system was governed by three key documents: the Da Afghanistan Bank Law (2003), the Afghanistan Banking Law (2015) and the Regulation for Conversion of a Conventional Bank into an Islamic Bank (2018). The IEA has retained these laws but has placed greater emphasis on implementing the 2018 regulation to integrate an Islamic framework into the country's banking and financial system. The IEA is working to eliminate usury and profit-driven practices by engaging with and learning from international Islamic financial institutions. According to the World Bank's April 2024 report, Afghanistan's banking sector continues to face significant challenges due to these activities.

The Da Afghanistan Bank (DAB) serves as the backbone of the country's banking system, responsible for issuing licenses, monitoring the market and currency exchanges, and regulating the system's interactions with the public and the government. As of 2025, the IEA's monetary and fiscal policy focuses on managing the economy with limited international engagement, aiming to stabilize the currency through money-supply control while prioritizing domestic revenue collection. As the supervisory authority for the national banking system, the DAB has monitored the activities of Afghan banks. The institution has undertaken significant efforts to ensure the stability and security of the sector, including drafting banking laws and regulations, conducting financial inspections and liquidity assessments, and identifying weaknesses and proposing corrective measures. According to DAB

Liberalization of foreign trade



Banking system



reports, in 2023 and 2024, the bank conducted five follow-up reviews, two targeted inspections and 12 unannounced audits, including liquidity management assessments. It also carried out 20 reviews focused on combating money-laundering and crime-related proceedings, as well as 124 evaluations of commercial banks. Additionally, 377 money exchange offices and payment service companies were monitored, 8 internal and 6 external audits of electronic money institutions were completed, and 700 systems were registered and reviewed by the central bank. These actions indicate that the DAB has continued the trend of centralizing and controlling the country's banking and monetary system. Since the emergence of modern Afghanistan, the centralization of banking, monetary, fiscal and tax systems has been a consistent government policy, and despite reactions tending toward decentralization, the DAB's approach reflects the continuation of this centralized policy. An April 2024 World Bank report indicates that the national banking sector has lost 25% of its total asset base since 2020.

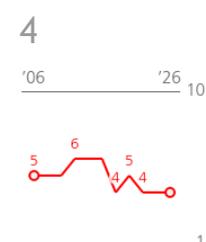
The ratio of bank capital to assets, as last reported in 2018 World Bank data, was 11.084%. Similarly, non-performing loans in the same year were estimated at 8.9%. However, the UNDP report highlights an increase in non-performing loans, from 30% in 2020 to 57% in 2021. In parallel with challenges for the banking system and capital market, the population's overall financial situation has deteriorated severely. This trend is evident in widespread poverty, unemployment, declining purchasing power and business deficits. There are no indications of policy improvements to address these issues in the foreseeable future.

8 | Monetary and fiscal stability

Afghanistan's monetary and fiscal policy is designed and implemented by the country's central bank, the Da Afghanistan Bank (DAB). The DAB functions as an integral part of the Afghan government and serves as its central monetary and fiscal institution responsible for formulating and implementing policy. However, the DAB's actual control over prices and transactions remains constrained due to its limited capacity and its inability to regulate informal financial interactions and remittances. While remittance flows have grown markedly, they are largely outside government control and remain low compared with other developing countries.

In September 2024, the DAB identified its priorities as formulating Afghanistan's monetary policy; managing currency exchange; maintaining and administering the country's official reserves; and printing, minting and distributing currency. It is also responsible for licensing and regulating banks and nonbank financial institutions as well as overseeing the development and strengthening of the nation's financial and banking systems. While the DAB has continued its efforts to stabilize the afghani, reduced international aid has exacerbated the currency's decline. Another focus was controlling inflation despite significant inflationary pressures. The bank reported that

Monetary stability



the weekly deposit limit for afghani accounts had increased from AFN 70,000 to AFN 150,000, while monthly limits had risen from AFN 250,000 to AFN 500,000. Keeping inflation within a desirable range has bolstered confidence in the afghani, underscoring the DAB's critical role in navigating the nation's economic challenges.

A 2025 Statista report highlights a significant drop in Afghanistan's inflation rate in 2023 compared with the previous year. The inflation rate rose steadily from -0.6% in 2018 to 10.6% in 2022, but declined sharply to -7.71% in 2023, marking the lowest rate recorded since data collection began in 2006. However, with the retreat of U.S. foreign aid policies, the value of the afghani weakened in 2025, potentially paving the way for a resurgence in inflation.

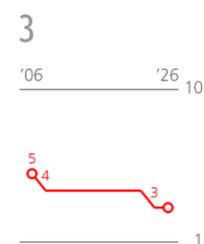
In a bid to ensure economic stability, the IEA has embraced the previous Republic's centralized fiscal policy. During the review period, with the Central Bank's assets frozen and foreign budget support withdrawn, the IEA has prioritized domestic revenue collection. To this end, the Ministry of Finance increased its workforce, particularly in departments responsible for customs and revenue, from 9,936 in 2020 to 12,998 by 2023. Similarly, the Ministry of Agriculture and Livestock expanded its personnel from 7,505 to 11,503, mainly because it plays a critical role in collecting informal religious taxes known as Ushr. Additional personnel were also added in other ministries contributing to domestic revenue generation.

During the first half of the 2024/25 fiscal year (March 22 – September 21, 2024), Afghanistan generated AFN 110.9 billion (\$1.6 billion) in revenue, about 7.6% of annual GDP. Year-over-year, this marked a 10% increase and exceeded the six-month target by 3%. The growth was driven largely by a 23% rise in domestic revenue collections, totaling AFN 54.3 billion (\$0.78 billion).

However, Afghanistan's trade deficit in goods widened by 39% in the first eight months of 2024, reaching \$5.6 billion (28% of GDP), compared with \$4 billion (23% of GDP) during the same period in 2023. The expansion of the trade deficit was driven primarily by changes in Pakistan's trade policies – including on coal imports and higher tariffs on Afghan agricultural exports – and by the continued relative strength of the Afghan afghani against other currencies. Pakistan remains Afghanistan's largest export market, accounting for 46% of total exports, followed by India at 28%. Imports surged to \$6.5 billion from January to August 2024, according to the World Bank, marking a 28% increase compared with the same period in 2023.

Despite these efforts, the IEA's total budget – currently \$2.7 billion – is less than half that of the Republic. The civil service expanded by 120%, even as salaries were reduced by 9.8%. Meanwhile, Afghanistan's annual gross national income per capita fell from \$500 in 2020 to \$350 in 2022, making it the poorest country in the world in 2024.

Fiscal stability



To a significant extent, the government's budget relies on cash flow from donor countries and international organizations. In 2023 and 2024, the United States transferred tens of millions of dollars in humanitarian aid to Afghanistan through the United Nations and NGOs, placing the country, alongside war-torn Ukraine, among the top recipients of international humanitarian assistance worldwide, according to the Organization for Economic Co-operation and Development (OECD). Despite this substantial financial support, fiscal stability has improved only marginally compared with the status in the 2024 BTI country report. The general lack of transparency in managing and using foreign aid continues to undermine Afghanistan's market and fiscal stability.

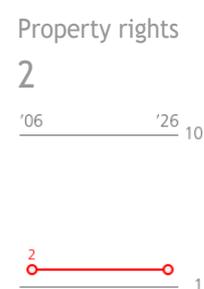
9 | Private Property

Property and land ownership are long-standing traditions in Afghanistan. Accordingly, property-owning and landowning families and communities are considered more stable and secure than those who move frequently. However, property rights in Afghanistan remain complex, with an estimated 80% of land held and transferred informally through domestic contracts. Access to property is highly complicated because of factors such as war-related displacement, environmental disasters, rapid urbanization, government corruption, lack of official property records, the absence of a clear conflict resolution mechanism, informal ownership and settlement practices, a thriving illegal economy, and limited access to property for women and members of marginalized communities. Consequently, Afghans maintain both formal and informal traditional property records known as qabala, making the definition of property rights highly complex and informal.

This deficient situation regarding property rights persists as the Taliban have further strengthened informal land ownership and the transformation of ownership through their traditional governance approach. By 2025, relevant government offices were uninterested in resolving disputes over complex ownership and property-rights constellations, and the lack of a transparent mechanism for resolving property disputes had undermined the Afghan government's legitimacy in the eyes of citizens.

Property rights in Afghanistan are particularly restrictive for women. The absence of a codified constitution and formal property rules and regulations since the Taliban's inauguration has allowed informal norms to dominate, while weak law enforcement has deprived Afghan women of property rights. Estimates indicate that less than 5% of land ownership documents include a female owner's name. In a country where power is closely tied to ownership, the exclusion of women from land and property ownership has marginalized women in political, economic and social life, raising concerns about the country's general inclusivity.

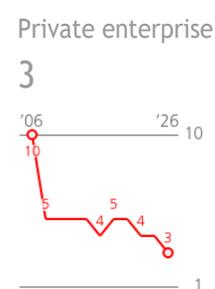
Afghanistan's private property system is significantly affected by informal settlements. The absence of effective law enforcement and the rise of informal land-ownership methods have exacerbated the issue. In rural areas, customary land rights



often govern ownership structures, with local customs and community consensus as significant factors in property transactions. In contrast, urban centers feature more formalized property systems, where official titles and legal documentation are crucial for asserting ownership claims. This duality reflects the diverse cultural landscape of Afghanistan, shaped by the coexistence of traditional and modern practices. With the Taliban's return to power, customary land ownership methods have also spread in urban areas due to the IEA's reliance on Shariah and its resulting informal ownership practices. As a result, Afghanistan consistently ranks poorly on the International Property Rights Index, scoring 6 of 100 in 2024. Property rights and rule-based governance were assessed consistently at 1.5 of 6 in 2023 and 2024, according to the World Bank's collection of development indicators, demonstrating that no significant change has occurred since the Taliban takeover.

Despite efforts by international organizations to support micro, small and medium-sized enterprises (MSMEs), private enterprises in Afghanistan are declining for multiple reasons, including the exclusion of women from businesses and a lack of interest from the Afghan diaspora. Afghans living abroad are deterred by the regime's strict rules and regulations. In 2024, the World Bank allocated \$16 million through an initiative to support women-led businesses in Afghanistan, while acknowledging that the entire private sector continues to face significant challenges. World Bank data show that rigid policies have led to declines in all types of foreign direct investment (FDI), including personal remittances and investment in property and ownership. For instance, FDI has dropped to 0.2% of GDP from a peak of 1.2% in 2010. Thus, one may infer a negative impact of the regime's policies on property rights, land ownership and the diaspora's interest in investing in the national economy. As of 2020, the private sector accounted for just 3.1% of Afghanistan's GDP, based on the most recent data available. This figure reflects a steady decline in the private sector's contribution to the economy since 2008.

A relatively secure environment – in terms of physical security from daily bombings and clashes – has enabled some private firms to grow. The state also uses state-owned enterprises (SOEs), mainly to implement its development policies. The main SOE in Afghanistan is the National Development Corporation (NDC), which was established before the Taliban takeover and now implements key projects in irrigation, mining and infrastructure development.



10 | Welfare Regime

As of 2025, Afghanistan’s social safety nets rely predominantly on humanitarian aid programs that support vulnerable groups, including women, children, returnees and internally displaced persons. These programs, led by international organizations such as UNICEF and UNHCR, address essential human needs. Food insecurity and malnutrition have severely affected nearly 3 million children and 1 million pregnant women. Alarmingly, 95% of Afghans lack sufficient access to food, and 184,000 people were affected by natural disasters in 2024 alone.

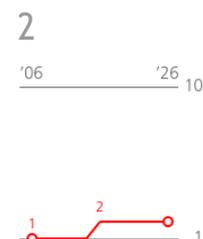
Despite these alarming statistics, the IEA has failed to provide adequate support in emergencies. Following the fall of the Republic, many NGOs that had previously formed the backbone of the social safety net were forced either to shut down or to leave Afghanistan. Some international humanitarian aid is directed through the IEA, with no transparency regarding how the funds are allocated. Still, most international aid for social safety is managed by the United Nations and its domestic partners. In 2024, the United Nations categorized its HNRP into eight key sectors: education, emergency shelter, food assistance, emergency agriculture, health, nutrition, protection and water and sanitation. To address these priorities, it secured \$1.59 billion, amounting to 52% of the required funding. The program was designed to ensure equal access to critical humanitarian and welfare services for women and the elderly.

Afghanistan’s equal opportunity index declined in 2024 due to the Taliban’s continued exclusion of women from public services, particularly in education and health. According to the Human Rights Watch World Report 2025, the situation worsened in 2024 as the Taliban intensified their crackdown on gender-related human rights. Consequently, Afghanistan remains the only country where girls and women are entirely banned from secondary and university education.

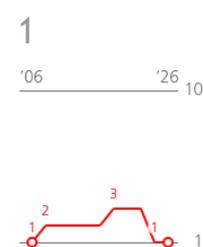
Women and girls also face significant barriers to employment; accordingly, one of the main factors affecting Afghanistan’s fiscal and economic stability is the exclusion of women from the job market. The financial status of many families has declined significantly due to layoffs targeting women. In the 2024 Global Gender Gap Index, Afghanistan recorded the widest gender gap at 43%. The report also gave the country an educational attainment score of 48% and an economic opportunity and participation score of just 17.6%. In August 2024, the Taliban introduced a new law prohibiting women from traveling or using public transportation without a male guardian. The law also requires women and girls to cover their faces in public and bans them from singing or allowing their voices to be heard outside their homes.

In addition to gender-based exclusion, religious and ethnic minorities in Afghanistan face severe discrimination under Taliban rule, which further erodes equal opportunity across the country. Taliban governance has disproportionately marginalized

Social safety nets



Equal opportunity



communities such as Hazaras, Shia Muslims and other non-Pashtun groups, who are systematically excluded from positions of power and public service. Reports indicate that appointments in government institutions are largely reserved for Taliban loyalists, predominantly from the Pashtun ethnic group, leaving minority groups under-represented or entirely sidelined. Targeted violence, displacement and restrictions on religious practices have further limited these minorities' access to education, employment and civic participation. This structural exclusion reinforces deep-seated inequalities and has created an environment where merit and representation are subordinated to ethnic and sectarian affiliations, undermining any semblance of equal opportunity for Afghanistan's diverse population.

11 | Economic Performance

Access to accurate key economic indicators for Afghanistan is heavily restricted. The country's political isolation continues to weigh heavily on its economic performance. International donors cut aid abruptly and froze assets after the Taliban took power. Even so, Afghanistan recorded modest growth, with GDP rising 2.7% in FY 2023/24. The broader economic downturn has pushed unemployment up from 12% in 2021 to 14% in 2023.

A World Bank report released in December 2024 notes a modest recovery in FY 2023/24, though political and structural barriers continue to impede significant long-term growth. Domestic prices fell in 2024, driven by deflation in nonfood costs and better agricultural supply. Housing and core inflation pressures persisted, however, because of weak demand and a strong afghani. The currency showed mixed performance over the year: depreciation late in 2024 boosted export competitiveness, while overall annual appreciation raised concerns about opaque foreign inflows and trade-balance risks.

Dependence on trade with Pakistan, China and Central Asian countries has not replaced broader trade ambitions, and in some cases has proved more a burden than a viable alternative. Furthermore, while strict trade policies have improved tariff collection, they have not increased incentives for either Afghan or foreign traders to invest in the country's uncertain market environment. According to BTI data, Afghanistan's economic performance has consistently declined since the Taliban's takeover, dropping from 126th in the world in 2022 to 130th in 2024.

World Bank data also show that Afghanistan's trade deficit surged in 2024, driven by strained trade relations with Pakistan and declining exports, although efforts to diversify markets have shown gradual progress. Afghanistan's imports increased 39% in 2024, driven by rising mineral, food and machinery imports, as Iran became the leading source of imports and trade routes shifted away from Pakistan. Afghanistan's revenue collection grew 26% in 2024/25, driven by increased nontax income and customs duties.

Output strength

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The Afghan state's \$7 billion in assets remain frozen in a Swiss bank account and are managed by a Geneva-based fund that has not made any disbursements since it was created more than two years ago. The funds could serve as a financial lifeline for Afghanistan's economy, but the IEA's lack of international partnerships and accountability continues to strain the country's economic outlook and hinder the functioning of its capital market.

12 | Sustainability

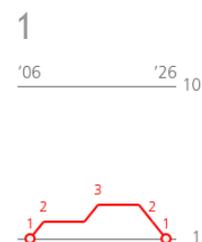
Since the Taliban takeover, climate adaptation projects totaling \$826 million have been suspended, significantly limiting Afghanistan's ability to respond to escalating climate disasters even as climate shocks continue to disrupt the lives of Afghan citizens. According to a U.N. report, 25 of 34 provinces, comprising more than 50% of the population, faced drought conditions in 2023. The Air Quality Index classified Afghanistan's air quality as "unhealthy," ranking it the fourth most polluted country globally.

Despite these alarming environmental conditions, the IEA has yet to implement a plan to address the root causes of air pollution. The unchecked burning of wood, fossil fuels and plastics, as well as industrial emissions and vehicle-related pollution, remains largely unregulated. The IEA has appealed to the United Nations and its member nations for assistance in preserving Afghanistan's environment and improving services for its people. In November 2024, a Taliban delegation, led by the chairman of Afghanistan's National Environmental Protection Agency, participated as an observer at U.N. climate talks held in Baku, Azerbaijan, representing the country for the first time. At the forum, Norway pledged to assist Afghanistan in tackling climate change, yet the IEA continues to struggle with a lack of professional capacity to design comprehensive policies to adequately address environmental challenges and disasters.

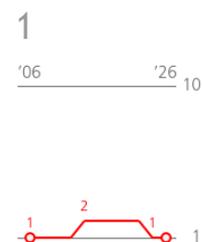
In recent years, all aspects of social and political life have increasingly been controlled and dictated by madrassa students, Taliban members and Taliban militia, who promote a return to traditionalism. Although schools and universities remain open to male citizens, the curriculum, pedagogical approaches and educational policies are strictly controlled by the Taliban.

The IEA has implemented discriminatory educational policies. Girls are not permitted to attend school beyond sixth grade. Universities are open exclusively to boys. The regime maintains strict control over the curriculum in both schools and universities. By the end of 2024, the Taliban had used their position to revise textbooks through eighth grade and were on track to complete revisions for higher grades and for university textbooks. Eventually, the revised curriculum will be submitted to the Taliban's supreme leader, who controls education policy, for approval. Both financial and enrollment policies are determined without transparency, resulting in a lack of reliable data on these categories and on completion rates across various education levels.

Environmental policy



Education policy / R&D



Afghan research institutions, such as the Afghan Institute for Strategic Studies, have been relocated outside the country in response to the Taliban takeover. Entities like the Afghanistan Center at Kabul University that still operate within the country are strictly controlled by the regime. Consequently, knowledge production has declined significantly, and only books aligned with government policies may be published by the local press, primarily Kabul-based.

Governance

I. Level of Difficulty

Afghanistan has long been difficult to govern, and the forcible transfer of power in 2021 left the country more fragile. Structural constraints, including prolonged conflict, economic sanctions, political isolation on the international stage, poverty and climate change, have further exacerbated governance challenges. Despite clear improvements in physical security, Afghanistan remains one of the world's most conflict-ridden nations, having endured more than four decades of continuous warfare.

Although the IEA is not explicitly listed by the United Nations as a sanctions target, it faces bilateral sanctions from several countries, including the United States and the European Union, due to its human rights violations, restrictions on women's rights and rigid ideological policies. As expected, these sanctions have intensified underlying structural issues such as rising poverty and unemployment. While Afghanistan occupies a strategic position at the crossroads of South Asia, Central Asia and the Middle East, with the potential to serve as a vital transit hub connecting these regions, crucial factors such as insecurity, rugged terrain and insufficient transportation infrastructure have kept the country from assuming this role.

Structural constraints are starkly reflected in Afghanistan's global governance rankings. In both 2023 and 2024, the country was assessed among the least effective governments worldwide, ranking third on the World Bank's Worldwide Governance Indicators Government Effectiveness estimate, ahead of only Haiti and Yemen. In this index, the country's weak governance effectiveness score of -1.99 on a scale from -2.5 to 2.5 underscores a significant decline in its performance compared with previous years.

While the nation battles food insecurity, climate change and widespread poverty, the supreme leader of the IEA has concentrated primarily on consolidating power and enforcing ideological policies. Ideology has consequently emerged as a critical structural constraint for both governance and bureaucracy. Lastly, the most significant structural constraint is that no nation has officially recognized the IEA as the legitimate sovereign authority over Afghanistan as of 2025. The freezing of the central bank's assets and the imposition of economic sanctions have significantly compounded the state's fragility.

Structural
constraints

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According to sources such as the Human Rights Watch World Report 2024, Afghanistan's civil society has dramatically diminished following the Taliban takeover. Human rights, women's rights, artistic and music organizations and other grassroots movements were unconditionally abandoned. As a result, by the end of 2024, no independent civil society organization existed in the country. For example, the GDI arrested multiple civil society activists and banned all activities not aligned with Taliban leadership policies, including those by advocates for girls' education and women's rights.

However, some civil society organizations continued to engage with the Taliban, yet they were perceived as sympathizing with the regime. This reputation can lead to donor cuts. These organizations' efforts are grounded in the belief that, through engagement, they could bring about change in the regime.

Afghanistan has a traditional grassroots civil society rooted mainly in elders' decision-making mechanisms in the countryside. These mechanisms contribute to local conflict resolution and formal governance. However, the Taliban appear determined to undermine these traditional tribal authorities.

Overall, peace and physical security have improved in the country after the Taliban took over. Anti-Taliban resistance, most notably from the Islamic State of Khorasan (IS-K) and remnants of the Republic's security forces, simmers in remote areas, but the number of clashes has steadily declined. Nevertheless, the United Nations reported 8,650 security incidents between November 2023 and November 2024, with many of these incidents attributed to the activity of IS-K. IS-K poses the main threat to the Taliban, having carried out at least 19 terrorist attacks targeting Hazara and Shia civilians, Sufi adherents, foreign nationals and Taliban officials in 2024. One notable incident was the assassination of Khalil Rahman Haqqani, a senior Taliban leader and brother of the late Jalaluddin Haqqani, founder of the Haqqani Network. The Haqqani Network is considered one of the most lethal and sophisticated insurgent groups operating primarily in Afghanistan and Pakistan, with strong ties to al-Qaeda and the Taliban.

Beyond these confrontations, the root causes of national conflict, including developmental, ethnic, sectarian and political issues, have been exacerbated. However, the IEA attempts to address them through coercion rather than consent. In Afghan political tradition, coercion often leads to more intense conflict rather than peacemaking.

Civil society traditions

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Conflict intensity

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II. Governance Performance

14 | Steering Capability

The Taliban's primary objective remains centralized control of Afghanistan by the military, coupled with extensive security and the implementation of Shariah law across the country. Additionally, the expansion of Islamic madrasas and the promotion of the Deobandi lifestyle are instrumental in fostering recruitment and voluntarism, and therefore are key priorities for the leadership. Crucially, in their engagement with the international community, the Taliban also insist on safeguarding the framework of their Islamic values and traditions.

However, international pressure and internal divisions have significantly weakened the group's ability to maintain cohesive rule and interact effectively with the global community. The IEA has consequently prioritized strengthening its economic ties with regional partners.

Among the regime's most controversial policies is the severe suppression of women, including rigid restrictions on their professions and education. This policy not only reflects the leadership's conservative ideology but is also used strategically as a bargaining tool in international negotiations, an approach that has posed immense challenges for the broader population and deepened political and ideological divisions within the Taliban. For instance, Abbas Stanikzai, the acting deputy foreign minister of the IEA and a prominent negotiator in the Doha talks between the Taliban and the United States from 2018 to 2021, left the country in protest against the leadership's restrictive policies on women and other issues such as political isolationism. Stanikzai publicly criticized the bans on women's education and employment, diverging sharply from the leadership in Kandahar.

The IEA's policymaking has been highly centralized and top-down, driven mainly by leadership to tighten control of the system. Policies are enforced primarily through military power and ideological indoctrination and, to a lesser extent, through consideration of local preferences. Outside the security and military sectors, the government has struggled to implement its policies effectively. These shortcomings are largely due to shortages of human resources, financial resources and institutional capacity, and they have caused sectors such as health care, public services, administration and development to underperform. While the regime has enforced policies barring girls and women from education and employment, it has not implemented effective measures to expand education and employment opportunities for men. The consequences of these shortcomings in policymaking and limited implementation have been severe, with poverty, unemployment and inequality increasing significantly across Afghanistan.

Question
Score

Prioritization

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Implementation

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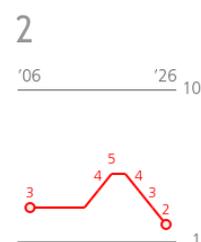
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The government is implementing its vision of governance amid critical opposition from the international community and from internal factions opposed to strict Islamic ideology, under which activities considered non-Islamic face severe crackdowns. Illustrative examples of sweeping reforms that have drawn criticism include the remodeling of the education and banking systems, with particularly negative reactions from the international community.

Many leaders of key government institutions lack the expertise and experience to manage them effectively. Although the Taliban have retained some former administrators to oversee daily operations, overall policy implementation and bureaucratic management have steadily deteriorated. The Haqqani Network, a critical faction within the IEA’s power structure, is increasingly distancing itself from the Kandahar leadership as public dissatisfaction with the government’s handling of daily affairs and overall policy implementation grows.

By early 2025, the regime had entrenched its political and religious vision in the governance of Afghanistan. However, neither economic deterioration nor international isolation has so far spurred dynamics of adaptation. The IEA leadership’s ideological rigidity, lack of flexibility and lack of interest in innovating and developing government policies clearly indicate the Taliban’s unwillingness to learn. The regime’s reliance on coercion to implement its policies, tending to disregard the establishment of consent, has alienated the Afghan population. While the Taliban have expanded political and trade relations with neighboring countries, the absence of a comprehensive vision for national development has produced an unfavorable import-export balance.

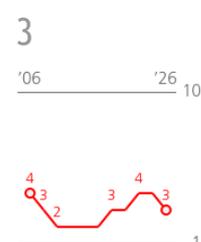
Policy learning



15 | Resource Efficiency

The IEA government primarily appoints administrative personnel based on loyalty rather than merit. The administration is therefore composed of networks of madrasa students and clerics who dominate policymaking and implementation, often sidelining career professionals and experienced administrators who were employed before the Taliban takeover. To oversee actors and their activities, the regime has established local religious councils called ulama. These councils intervene in administrative affairs in cases of conflict of interest or abuse. This structure has created a complex mosaic of responsibilities.

Efficient use of assets



Nevertheless, in FY 2023/24, the IEA achieved its revenue target of AFN 210 billion, driven by increased domestic tax collections and nontax revenues. Both reflect improved domestic resource mobilization. The service sector accounts for nearly 45% of Afghanistan’s economy and grew by 2.3% in FY 2023/24, representing a modest recovery from a 6.5% contraction the previous year. The country experienced a deflationary phase throughout 2024, with inflation at -5.1% by September. However, the ban on poppy cultivation has left many farmers unemployed. The

national budget for FY 2024/25 has been ratified, with the Taliban claiming it is fully funded through domestic revenues, though no details regarding budget allocations have been made available at the time of this writing.

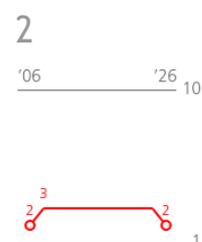
The Taliban have effectively aligned their political and religious objectives through centralized decision-making, primarily through decrees issued by the top leadership that are swiftly implemented, particularly on issues related to women, human rights, corruption and security – often without internal resistance. While this has allowed the Islamic Emirate of Afghanistan (IEA) to maintain political control despite international isolation, coordination among government departments and branches remains weak. There is little evidence of structured horizontal collaboration or interministerial dialogue, leading to fragmented implementation of policies and inefficiencies in service delivery. The general lack of administrative professionalism and institutional experience further hampers effective governance. Although some Taliban leaders bring experience from their previous regime in the 1990s, this background is insufficient by modern standards, resulting in governance that prioritizes ideological conformity over meritocracy, coordination or institutional development.

Corruption has long been a persistent problem in Afghanistan, even before the Taliban takeover. Two major factors contributed to this: a lack of transparency among foreign aid organizations in channeling funds into the Afghan financial system, and limited domestic capacity to manage international aid or collect revenue transparently from internal sources. There are conflicting claims about recent trends. While the IEA maintains that its strict policies have reduced corruption, international data tell a different story. Transparency International’s index shows corruption worsening, with Afghanistan’s score rising from 16 in 2021 to 20 in 2024, placing the country 162nd out of 180 countries. The IEA’s claim of reduced corruption does not necessarily signal more effective governance. Instead, it largely reflects the shrinking pool of domestic and foreign funds that had previously fueled corruption before the Taliban returned to power.

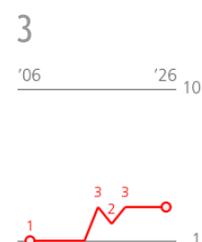
16 | Consensus-Building

Relations between the state and society in Afghanistan have not progressed toward a government seen as legitimate. The Islamic Emirate of Afghanistan (IEA) has instead doubled down on its rigid ideological agenda, systematically excluding women, religious minorities and all political opposition from power. Although the IEA faced little political or military resistance in 2023/24, it has failed to build or justify its legitimacy among the Afghan population. A key reason is that coercion remains its primary tool of control. Governance is concentrated in the hands of a small circle of clerics based in Kandahar, and consensus-based decision-making – whether through modern mechanisms like elections or traditional institutions such as tribal assemblies – has largely been abandoned.

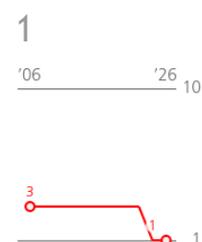
Policy coordination



Anti-corruption policy



Consensus on goals



The IEA's economic goals remain unclear, as the internationally isolated and unrecognized regime has not articulated a long-term plan for development or structural transformation. While the Taliban maintain regular interactions with neighboring countries and regional businesses, these exchanges do not amount to a strategic vision for economic change. In 2024, the World Bank described Afghanistan's economic outlook as uncertain. Its country report noted that Afghanistan's GDP had contracted by 26%, alongside declining external financing for off-budget spending. The government has shown little confidence in market principles and appears to view capitalism itself as a source of many of the country's problems.

The IEA's administration is itself an anti-democratic actor. Its Shariah-based system of government is inherently incompatible with democratic norms, and ethnolinguistic, religious, gender and civic discrimination remain widespread. By the end of 2024, nearly all senior officials – including ministers, provincial governors (walies) and district governors (woloswals) – were aligned with Taliban ideology. All are men, and none recognize basic civil liberties or political rights.

Afghanistan is shaped by deep-rooted ethnopolitical cleavages, with ethnicity, sectarian identity, regional affiliations and rural-urban divides playing central roles in the country's historical and contemporary conflicts. The most prominent divides include tensions between Pashtuns – traditionally the dominant ethnic group and the primary support base of the Taliban – and other communities such as Tajiks, Hazaras, Uzbeks and Turkmen. Sectarian divides, particularly between Sunni and Shia Muslims (notably the marginalization of the Hazara Shia population), further exacerbate the country's fragmentation. These cleavages, intensified by the Soviet invasion in 1979 and subsequent decades of civil war, remain unresolved. While the Taliban declared a national amnesty upon taking power and made rhetorical commitments to inclusivity, in practice, they have failed to engage in any meaningful power-sharing or reconciliation with non-Taliban factions. No representatives from other political, ethnic or religious groups have been appointed to influential government positions, and there is a marked absence of dialogue with opposition forces. The Islamic Emirate of Afghanistan (IEA) has opted for a highly centralized and exclusionary approach to governance, prioritizing ideological conformity over consensus-building. This failure to recognize and manage the country's complex cleavages not only delegitimizes the regime but also perpetuates the cycle of conflict and mistrust that has long plagued Afghanistan's political landscape.

Anti-democratic actors

1



Year	Score
'06	5
	4
	3
	4
'26	1

Cleavage / conflict management

3



Year	Score
'06	4
	5
	3
'26	1

The IEA persistently overlooks civil society organizations, political parties and even traditional bodies such as jirgas when consulting on politics. Women are entirely excluded from the public consultation process. Furthermore, the interaction between the IEA and the international community remains predominantly focused on economic issues, whereas the government shows no interest in engaging with international organizations on political and public concerns such as democracy, freedom of speech, women's and girls' rights and human rights. Altogether, the IEA leadership's unilateral, top-down decision-making approach leaves no room for public consultation and consensus-building.

Afghanistan's modern history has been shaped by recurring cycles of violence and political instability stemming from the 1979 Soviet invasion, the civil war of the 1990s, the rise and fall of the first Taliban regime and two decades of insurgency following the U.S.-led intervention in 2001. These events have entrenched deep political, ideological and ethnic divisions, particularly among Pashtuns, Tajiks, Hazaras, Uzbeks and other ethnic groups, each of which has experienced exclusion, marginalization or repression at various points. Widespread human rights abuses, warlordism, shifting alliances and foreign interventions have further fragmented Afghan society and fostered trauma and mistrust.

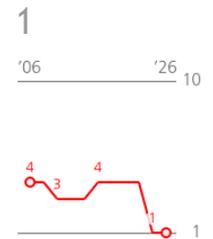
Against this backdrop, sustainable peace would require a genuine reconciliation process that acknowledges past injustices, addresses structural inequalities and fosters inclusive governance. Yet the Taliban-led Islamic Emirate of Afghanistan has shown little commitment to reconciliation as a meaningful conflict-resolution effort. Governance remains centralized under the Taliban's Leadership Council, which prioritizes control over dialogue and demands submission from former political actors, civil society and minority groups rather than integrating them into a shared vision for national peace. No steps have been taken to develop an inclusive road map to address the root causes of conflict or to ensure the long-term political and civic inclusion of Afghanistan's diverse population, undermining prospects for a peaceful and unified future.

17 | International Cooperation

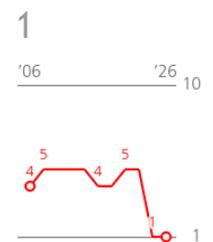
Afghanistan remains heavily reliant on foreign aid. In 2020, the international community provided \$12 billion to the former Afghan government, but by the end of 2024 the IEA had received less than 10% of that amount. This indicates a significant decline in the benefits of international cooperation, despite the Taliban's ongoing efforts to bolster economic and political engagement with the international community.

According to the Center for Strategic and International Studies (CSIS), before the collapse of the Islamic Republic of Afghanistan, foreign aid accounted for 40% of the country's GDP, constituted more than half of the government's \$6 billion annual

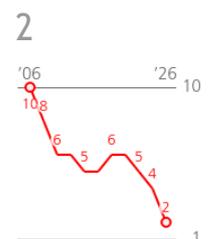
Public consultation



Reconciliation



Effective use of support



budget and covered between 75% and 80% of total public expenditure. The abrupt regime change triggered an immediate suspension of international aid, plunging the country into economic free fall and exacerbating the existing humanitarian crisis.

Internal discord within the Taliban regime has further strained its international standing. Divisions over issues such as women's rights, civil liberties, the rule of law and political freedoms have significantly influenced the international community's hesitant approach toward the IEA. As a result, Afghanistan remains politically isolated. This isolation underscores the IEA's failure to develop a strong understanding of the global landscape or to build domestic capacity to attract increased international investment or assistance for sustainable development.

Although the Taliban have cultivated positive relations with neighboring countries, for example in Central Asia, these alliances cannot replace the extensive international aid Afghanistan previously received. Trade index ratings and values have plummeted, especially for imports and exports. Without sustained international emergency and humanitarian assistance, the regime faces severe challenges in covering governance costs and paying public employees. Furthermore, the IEA's insufficient human resources, limited domestic revenue and lack of a long-term development strategy leave it ill-equipped to address the country's ongoing crises.

The IEA leadership's rigid religious, Shariah-based worldview leaves little room for international cooperation or compliance with global agreements and conventions. The Taliban suspended Afghanistan's constitution, in place since 2004 and aligned with the Universal Declaration of Human Rights (UDHR), and rejected all international treaties and documents allegedly contradicting Shariah. As a result, the IEA has failed to position itself as a credible and reliable partner within the international community. Consequently, even allies of the Taliban, including China, Russia, Iran and Pakistan, have refrained from formally recognizing the IEA as the sovereign authority of Afghanistan.

The IEA has shown limited flexibility on international agreements on trade and the environment, as evidenced by its participation in the November 2024 climate conference in Baku. However, meaningful international engagement remains limited. Following Donald Trump's election as president of the United States in late 2024, the Taliban intensified their diplomatic efforts to engage with his administration within the framework of the 2021 Doha Agreement. Nevertheless, it appears unlikely that the United States or other Western nations will trust the IEA leadership in Kandahar unless it implements significant policy changes, demonstrates transparency and aligns with international standards.

Credibility

2



The IEA's inability to establish strong political and economic cooperation with the international community, combined with its rigid ideological stance, persistent sanctions on its leadership imposed by the United States and the United Nations, the freezing of Afghanistan's reserves by the United States and the European Union, and other barriers to international engagement, has facilitated the country's plunge into deep political and economic turmoil. By early 2025, Afghanistan had become effectively isolated. Although regional countries have reopened their embassies in Kabul and trade continues with Pakistan, India, Iran, China and the Central Asian states, these relationships remain limited. Trade is driven more by political necessity than by an economic vision, even with relatively close partners such as Pakistan. Given these challenges, there are no clear signs the IEA will be able to enhance its capacity for international cooperation in the near future. As a result, Afghanistan remains one of the world's poorest and least developed nations, ranking 182nd out of 193 on the Human Development Index. Pakistan remains Afghanistan's largest export market, accounting for 46% of total exports, followed by India at 28%.

Regional cooperation

3



Strategic Outlook

In 2023 and 2024, the IEA continued to struggle with authority, legitimacy and capacity. Although the regime has established a degree of physical security, it has not provided rights-based security, including protection from discrimination, poverty or disasters. Reconciliation remains a major unresolved issue. Afghanistan's political, social, cultural and linguistic diversity – as well as the fundamental rights of women – requires a forward-looking vision the IEA has yet to demonstrate. As a result, reconciliation and social integration remain significant challenges. Poverty is widespread, with many households dependent on daily wages, and women's livelihoods have deteriorated sharply because of job bans. As a rentier state reliant on external funding, Afghanistan will be particularly affected by changes in U.S. aid policy. At the same time, the IEA has shown limited ability to meet public needs through domestic resources.

The Taliban-led regime relies heavily on militia-style structures and the narrative of victory over the former Islamic Republic and its Western allies. Little effort has been made to legitimize law enforcement or the use of force through formal legal mechanisms. Decision-making is centralized, authoritarian and discriminatory, driven solely by orders from the leadership. State-society relations are largely disconnected, and citizens have no influence over policymaking. As a result, the ruling organization frequently makes unilateral decisions that ignore public demands for rights, liberties and economic opportunities. These fractured relations reflect a deep lack of domestic legitimacy. International legitimacy is also absent; no country – not even Pakistan, its closest partner – officially recognizes the IEA as Afghanistan's government.

The regime's capacity is further undermined by the post-2021 exodus of skilled and educated Afghans. The government has shown little interest in improving public administration. Many offices are led by clerics with only basic madrassa education and no administrative experience, and skilled staff are unable to operate independently. Afghanistan has faced – and will likely continue to face – significant challenges at the individual, community, national, regional and international levels during the review period.

In this context, inclusive dialogue supporting political transition and capacity-building is essential for addressing poverty, unemployment and inequality. The international community and international organizations should prioritize fostering dialogue among political, social and ethnic groups to develop a road map for peaceful transition. Mediation and platforms for engagement will be critical to narrowing the gap between the IEA and other stakeholders. While the Taliban show no interest in modifying their rigid ideology or agenda, sustained international efforts may still help create space for a more inclusive, broad-based government in the future.