

# Afghanistan

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RISK & COMPLIANCE REPORT

DATE: March 2018

<b>Executive Summary - Afghanistan</b>	
<b>Sanctions:</b>	UN and EU Financial Sanctions in force
<b>FAFT list of AML Deficient Countries</b>	No longer on list
<b>Higher Risk Areas:</b>	<p>Non - Compliance with FATF 40 + 9 Recommendations</p> <p>US Dept of State Money Laundering Assessment</p> <p>Supporter of or Safe Haven for International Terrorism</p> <p>Not on EU White list equivalent jurisdictions</p> <p>Corruption Index (Transparency International &amp; W.G.I.)</p> <p>World Governance Indicators (Average Score)</p> <p>Failed States Index (Political Issues)(Average Score)</p> <p>International Narcotics Control Majors List</p>
<b>Medium Risk Areas:</b>	Weakness in Government Legislation to combat Money Laundering
<p><b>Major Investment Areas:</b></p> <p><b>Agriculture - products:</b></p> <p>opium, wheat, fruits, nuts; wool, mutton, sheepskins, lambskins</p> <p><b>Industries:</b></p> <p>small-scale production of bricks, textiles, soap, furniture, shoes, fertilizer, apparel, food-products, non-alcoholic beverages, mineral water, cement; handwoven carpets; natural gas, coal, copper</p> <p><b>Exports - commodities:</b></p> <p>opium, fruits and nuts, handwoven carpets, wool, cotton, hides and pelts, precious and semi-precious gems</p> <p><b>Exports - partners:</b></p> <p>Pakistan 33.1%, India 24.9%, Tajikistan 8.7%, US 5.8% (2012)</p> <p><b>Imports - commodities:</b></p> <p>machinery and other capital goods, food, textiles, petroleum products</p>	

**Imports - partners:**

Pakistan 25.8%, US 17.4%, Russia 8.4%, India 5.5%, China 5.4%, Kazakhstan 4.5%, Germany 4.3% (2012)

**Investment Restrictions:**

The Government of the Islamic Republic of Afghanistan taken concrete steps toward fostering a business-friendly environment for both domestic and foreign investment. Security threats limit investors' opportunities to develop businesses in some provinces, and certain sectors (such as mining and hydrocarbons) still lack a regulatory environment that fully supports investment.

The 2005 Private Investment Law (PIL), specifically prohibits discrimination against foreign investors. The PIL permits investments in nearly all sectors of the economy (exceptions are nuclear power, gambling establishments and production of narcotics and intoxicants)

The Afghan Constitution and the PIL prohibit foreign ownership of land, which compels most foreign firms to work with an Afghan partner.

## Contents

Section 1 - Background.....	4
Section 2 - Anti – Money Laundering / Terrorist Financing .....	5
FATF status.....	5
Compliance with FATF Recommendations.....	5
Key Findings from latest Mutual Evaluation Report (2011): .....	5
US Department of State Money Laundering assessment (INCSR) .....	6
Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables): .....	8
EU White list of Equivalent Jurisdictions.....	9
Offshore Financial Centre.....	9
Reports.....	10
International Sanctions.....	17
Bribery & Corruption.....	18
Corruption and Government Transparency - Report by US State Department .....	18
Section 3 - Economy.....	19
Banking.....	20
Section 4 - Investment Climate .....	21
Section 5 - Government.....	37
Section 6 - Tax .....	38
Methodology and Sources.....	39

## Section 1 - Background

Ahmad Shah DURRANI unified the Pashtun tribes and founded Afghanistan in 1747. The country served as a buffer between the British and Russian Empires until it won independence from notional British control in 1919. A brief experiment in democracy ended in a 1973 coup and a 1978 communist counter-coup. The Soviet Union invaded in 1979 to support the tottering Afghan communist regime, touching off a long and destructive war. The USSR withdrew in 1989 under relentless pressure by internationally supported anti-communist mujahedin rebels. A series of subsequent civil wars saw Kabul finally fall in 1996 to the Taliban, a hardline Pakistani-sponsored movement that emerged in 1994 to end the country's civil war and anarchy. Following the 11 September 2001 terrorist attacks, a US, Allied, and anti-Taliban Northern Alliance military action toppled the Taliban for sheltering Osama BIN LADIN. The UN-sponsored Bonn Conference in 2001 established a process for political reconstruction that included the adoption of a new constitution, a presidential election in 2004, and National Assembly elections in 2005. In December 2004, Hamid KARZAI became the first democratically elected president of Afghanistan and the National Assembly was inaugurated the following December. KARZAI was re-elected in August 2009 for a second term. Despite gains toward building a stable central government, a resurgent Taliban and continuing provincial instability - particularly in the south and the east - remain serious challenges for the Afghan Government.



## Section 2 - Anti – Money Laundering / Terrorist Financing

### FATF status

Afghanistan is no longer on the FATF List of Countries that have been identified as having strategic AML deficiencies

### Latest FATF Statement - 23 June 2017

The FATF welcomes Afghanistan's significant progress in improving its AML/CFT regime and notes that Afghanistan has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in June 2012. Afghanistan is therefore no longer subject to the FATF's monitoring process under its on-going global AML/CFT compliance process. Afghanistan will work with APG as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report, in particular, fully implementing the cross-border regulations at its official land border crossing points.

### Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Afghanistan was undertaken by the Financial Action Task Force (FATF) in 2011. According to that Evaluation, Afghanistan was deemed Compliant for 1 and Largely Compliant for 1 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for all 6 of the Core Recommendations.

### Key Findings from latest Mutual Evaluation Report (2011):

Afghanistan is one of the poorest countries in the world and, after decades of ongoing conflicts and strife, it is still at an early stage of developing its legal and institutional framework. The main challenges that the authorities face are the precarious security situation (including regular occurrence of insurgency attacks), vested interests and corruption, capacity constraints, a large illicit narcotics sector, a weak business environment, and low human capital.

Measures have nevertheless been taken to fight crime, including financial crime, and to lay the foundations for an AML/CFT regime. In particular, two legislative decrees were issued by the President in 2004 to fight against money laundering and terrorist financing. Although their constitutionality and, ultimately, the validity of the AML/CFT framework, have not been

definitively established, both decrees have been implemented, to a certain extent, by the authorities and the private sector.

However, current efforts are not commensurate to the high risk of money laundering and terrorist financing in the country. Illicit narcotic trade and corruption alone generate considerable amounts of illegal funds. Afghanistan is the world's largest opium producer and exporter and ranks amongst the most corrupt countries in the world. Smuggling and fraud are other major sources of illegal funds. In addition, terrorism and its financing remain a major concern both in terms of the security of Afghanistan and of the funding of terrorist individuals or organizations, and terrorist acts in the country and abroad. Despite the authorities' efforts, investigations into money laundering and terrorist financing have been few and none of them resulted in charges being brought before the courts.

Structural elements make the effective implementation of AML/CFT preventive measures challenging in some sectors. Both rudimentary financial relations (cash-based economy, low rate of financial intermediation, illiteracy, and weaknesses in documentation of identity), and a financial sector well connected to the outside world (at least through correspondent accounts and SWIFT) coexist in Afghanistan. Accordingly, while preventive measures are certainly difficult to implement, even in the medium term, in the rudimentary financial sector, they could be and could have been better implemented in the banking sector. For example, it would appear that the lack of implementation and supervision of preventive measures, such as identification of customers and fit and proper testing did play a role in the making of a major financial fraud in the main commercial bank.

## US Department of State Money Laundering assessment (INCSR)

**Afghanistan is categorised by the US State Department as a Country/Jurisdictions of Primary Concern in respect of Money Laundering and Financial Crimes.**

### OVERVIEW

Terrorist and insurgent financing, money laundering, bulk cash smuggling, abuse of informal value transfer systems, and other illicit activities financing criminal activity continue to threaten Afghanistan's security and development. Afghanistan remains the world's largest opium producer and exporter. Corruption remains a major obstacle to the nation's progress. The National Unity Government (GNU) has enacted laws and regulations to combat financial crimes, but faces a significant challenge in implementing and enforcing the law.

### VULNERABILITIES AND EXPECTED TYPOLOGIES

The illicit narcotics trade, corruption, illegal mineral extraction, and fraud are major sources of illicit revenue. Afghanistan has a small banking sector, but large enforcement and regulatory challenges, even though most of its banks strive to adhere to international standards. Traditional payment systems, particularly hawala networks, provide a range of financial and non-financial business services in local, regional, and international

markets. Beyond the formal border crossings, the Afghanistan-Pakistan frontier is notoriously porous, enabling smugglers to cross with relative ease.

#### KEY AML LAWS AND REGULATIONS

Afghanistan has a comprehensive AML law. Significant provisions include an adequate legal basis to criminalize money laundering; KYC and STR provisions; establishment of an operationally independent FIU; and the authority to confiscate funds or property derived from criminal activity, to dispose of such property, and to hold the proceeds of criminal profits in an asset recovery/sharing fund. In June 2015, Afghanistan issued Fit and Proper Regulations to ensure financial institutions are well managed and persons who own or control them are competent and meet certain criteria. In May 2015, Afghanistan issued Cash Courier Regulations establishing a cross-border currency reporting requirement. Amendments to that regulation in 2016 ensure that seizure or restraint of funds is authorized where there is a suspicion of money laundering.

Although Afghanistan's Law on Extradition of the Accused, Convicted Individuals, and Legal Cooperation allows for extradition based upon multilateral arrangements, such as the 1988 UN Drug Convention, Article 28 of the Afghan Constitution requires reciprocal agreements between Afghanistan and the requesting country. The United States does not have an extradition treaty with Afghanistan and cannot reciprocate under the multilateral treaties. There is no bilateral MLAT between the United States and Afghanistan, but both countries are parties to multilateral conventions that provide a legal basis for assistance.

Afghanistan is a member of the APG, a FATF-style regional body.

#### AML DEFICIENCIES

Afghanistan should ensure market manipulation and counterfeiting are predicates for money laundering and strengthen supervision of financial institutions and DNFBPs, to ensure their compliance with AML regulations. The poor security environment prevents the central bank and FIU from supervising all MSBs and money exchanges; nevertheless, these regulatory bodies should devise new ways to expand supervision and implementation of the MSB/hawalada licensing program. Afghanistan should create an outreach program to notify and educate hawaladars about licensing and transaction reporting requirements. Regulators and enforcement officers need adequate security and resources to supervise the financial sector and investigate financial crimes.

Precious metals and stones dealers, lawyers, accountants, and real estate agents are not supervised as financial businesses in Afghanistan.

#### ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Afghanistan's Attorney General's Office (AGO) and law enforcement authorities are hampered by limited resources, lack of technical expertise, poor coordination with counterpart agencies, and poor infrastructure. Many hawaladars use the formal banking sector, where a level of transparency exists, for day-to-day operations and to settle balances with other hawaladars both domestically and abroad. However, hawaladars generally fail



to file STRs because they believe it is the responsibility of the bank, an issue not completely addressed by the FIU. Insurance companies and securities dealers are also required to file STRs, but the government does not enforce this requirement.

The Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA), Afghanistan's FIU, often works with limited information and shallow databases when building financial intelligence products for the AGO. When working with the AGO, FinTRACA often faces possible corruption and administrative hurdles regarding prosecution, which limit further cooperation. The AGO is authorized to prosecute money laundering and seize illicit assets, but its new management team, seated in the second half of 2016, has yet to effectively grapple with weak prosecutorial capacity to pursue money laundering cases and asset seizures. Furthermore, the Afghan government has yet to establish a recovery mechanism for the value of assets seized, and therefore no entity, including the police and courts, has responsibility for post-conviction asset recovery. FinTRACA's leadership is dynamic and anxious to pursue the organization's objectives.

In 2017, requests for FinTRACA products increased 300 percent over 2016, and compliance fines surpassed the 2016 total. FinTRACA also conducted a first-ever survey of hawalas in Helmand province. The FinTRACA team, along with interagency counterparts, looked for unregistered hawaladars and reviewed the books of registered hawaladars for evidence of compliance with Afghanistan's AML/CFT framework. New MOUs are being created and proposed between FinTRACA and Afghan government agencies to help strengthen the country's AML/CFT regime.

Kabul International Airport lacks effective currency controls for all passengers.

Law enforcement officers, prosecutors, and judges need continued training on effective, lawful asset seizure, and the GNU should work with international partners to implement procedures for money laundering seizures.

The GNU should continue to increase seizure and confiscation procedures in cases involving narcotics and drug trafficking. Afghanistan should also strengthen inspection controls and enforcement of the currency declaration regime at airports.

#### **Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):**

According to the US State Department, Afghanistan does not conform with regard to the following government legislation: -

**Arrangements for Asset Sharing** - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

**Ability to freeze assets without delay** - The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations)

### **EU White list of Equivalent Jurisdictions**

Afghanistan is not currently on the EU White list of Equivalent Jurisdictions

### **World Governance indicators**

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

### **Failed States Index**

[To view Failed States Index Ctrl + Click here](#)

### **Offshore Financial Centre**

Afghanistan is not considered an Offshore Financial Centre

### US State Dept Narcotics Report 2018 (introduction):

Afghanistan remains the dominant source of the world's illicit opiate supply. The insurgency and widespread corruption present major challenges to the central government's efforts to establish the physical and economic security necessary to bring the narcotics trade under control. The United Nations Office on Drugs and Crime (UNODC) and the Afghan Ministry of Counter Narcotics (MCN) estimate the total area under opium poppy cultivation in Afghanistan for the 2017 season to be approximately 328,304 hectares (ha), yielding an estimated 9,000 metric tons (MT) of raw opium. This represents an increase of 63 percent in area under cultivation and 88 percent in production over last year. Preliminary U.S. government data show a similar trend. Afghan opium is typically refined into heroin or morphine in Afghanistan and neighboring countries for export.

A symbiotic relationship exists between the insurgency and illicit drug trafficking. Traffickers provide weapons, funding, and material support to the insurgency in exchange for protection. Some insurgents traffic drugs or tax their production and transportation to finance their operations. However, trafficking is not limited to insurgent-controlled areas, and the narcotics trade is a primary driver of corruption, which undermines governance and rule of law throughout Afghanistan.

Afghanistan suffers from widespread illicit drug use. The U.S.-supported 2015 Afghanistan National Drug Use Survey profiling urban, rural, and national drug use conservatively estimated that roughly 11 percent of the population tested positive for one or more illicit drugs, including 5.3 percent of the urban population and 13 percent of the rural population. Drug use by women and children is among the highest documented worldwide, and 30.6 percent of rural households tested positive for some form of illicit drug. These statistics portend a massive health crisis that Afghans are gradually acknowledging.

Senior Afghan government officials state that the government recognizes the deleterious impact of illegal drugs and is attempting to address the problem, citing the late 2015 adoption of the National Drug Action Plan (NDAP) as proof. Despite public displays of support for this comprehensive national drug control strategy, the Afghan government has been slow to implement the ambitious plan. The Afghan government will require financial and technical assistance from the international community for the foreseeable future to achieve the NDAP's objectives.

#### B. Conclusion

Illicit cultivation, production, trade, and use of narcotics undermine public health and good governance in Afghanistan, while fueling corruption, providing significant funding for insurgents, and eroding security. Opium poppy cultivation is most prevalent where physical and economic infrastructure is least developed, and where the Afghan government lacks control. Afghanistan will not succeed in combating the illicit drug trade until Afghans view illicit drugs as a domestic problem. That comprehension is slowly building, but will remain

incomplete until the Afghan government demonstrates the political will to challenge vested political and economic interests more fully.

The Afghan government must demonstrate the necessary political will and capacity to combat corruption, develop alternative economic livelihoods, and establish security in the poppy cultivating communities controlled by insurgent forces. Afghanistan cannot interdict or eradicate itself out of this problem. However, increased efforts to enforce Afghan laws against illicit poppy cultivation and to arrest traffickers are necessary for success, alongside alternative development and reducing demand for illicit drugs. In addition to mainstreaming drug control efforts into other existing national strategies and programs, Afghanistan must actively combat corruption at all levels of government to regain public trust in its counter-drug campaigns, and ensure that provincial governors and other subnational officials genuinely cooperate on national drug control plans and policies. None of these achievements would be sufficient by itself, and each faces significant challenges in the coming years. Success in countering Afghanistan's place in the global drug trade will not come quickly or easily.

#### **US State Dept Trafficking in Persons Report 2016 (introduction):**

Afghanistan is classified a Tier 2 Watch List country - A country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Afghanistan is a source, transit, and destination country for men, women, and children subjected to forced labor and sex trafficking. Internal trafficking is more prevalent than transnational trafficking. Most Afghan trafficking victims are children who end up in carpet making and brick factories, domestic servitude, commercial sexual exploitation, begging, poppy cultivation, transnational drug smuggling, and assistant truck driving within Afghanistan, as well as in the Middle East, Europe, and South Asia. NGOs documented the practice of bonded labor, whereby customs allow families to force men, women, and children to work as a means to pay off debt or to settle grievances, sometimes for multiple generations with children forced to work to pay off their parents' debt. Some Afghan families knowingly sell their children into sex trafficking, including for bacha baazi—where men, including some government officials and security forces, use young boys for social and sexual entertainment. There are reports that some law enforcement officials, prosecutors, and judges accept bribes from or use their relationships with perpetrators of bacha baazi to allow them to escape punishment. Some families send their children to obtain employment through labor brokers and the children end up in forced labor. Opium-farming families sometimes sell their children to settle debts with opium traffickers. According to the government and the UN, insurgent groups forcibly recruit and use children as suicide bombers. Boys, especially those traveling unaccompanied, are particularly vulnerable to trafficking. Children in orphanages are also particularly vulnerable and were sometimes subjected to trafficking. Some entire Afghan families are trapped in debt bondage in the brick-making industry in eastern Afghanistan. Members of the Shia Hazara minority group were victims of forced recruitment and forced labor.

Men, women, and children in Afghanistan often pay intermediaries to assist them in finding employment, primarily in Iran, Pakistan, India, Europe, or North America; some of these intermediaries force Afghans into labor or prostitution. Afghan women and girls are subjected to sex trafficking and domestic servitude primarily in Pakistan, Iran, and India. The majority of Afghan victims in Pakistan are women and girls subjected to trafficking for the purpose of commercial sexual exploitation, including through forced marriages. Afghan boys and men are subjected to forced labor and debt bondage in agriculture and construction, primarily in Iran, Pakistan, Greece, Turkey, and the Gulf states. Some Afghan boys are subjected to sex trafficking in Greece after paying high fees to be smuggled into the country. In January 2016, an international organization reported the Iranian government and the Islamic Revolutionary Guards Corps (IRGC) coerced male Afghan migrants and registered refugees to fight in Syria in IRGC-organized and commanded militias by threatening them with arrest and deportation to Afghanistan. Some of those coerced into service were boys younger than the age of 18, some as young as 12, and have been used as combatants. Afghan boys are at high risk of sexual abuse by their employers in Iran and harassment or blackmailing by the Iranian security service and other government officials.

There were reports of women and girls from the Philippines, Pakistan, Iran, Tajikistan, Sri Lanka, and China subjected to sex trafficking in Afghanistan. Under the pretense of high-paying employment opportunities, some labor recruiting agencies lure foreign workers to Afghanistan, including from Sri Lanka, Nepal, India, Iran, Pakistan, and Tajikistan; the recruiters subject these migrants to forced labor after arrival.

In 2015, widespread and credible reporting from multiple sources indicated both the government and armed non-state groups in Afghanistan continued to recruit and use children in combat and non-combat roles. The UN verified and reported an increase in the number of children recruited and used in Afghanistan, mostly by the Taliban and other armed non-state actors. In January 2011, the Afghan government signed an action plan with the UN to end and prevent the recruitment and use of children by the Afghan National Defense and Security Forces (ANDSF), and in 2014, they endorsed a road map to accelerate the implementation of the action plan. Despite these efforts, there are still government cases of recruitment, most notably by the Afghan Local Police (ALP) and National Police (ANP). In a widely publicized case, a 10-year-old boy participated with Afghan local police forces in operations against the Taliban; local authorities publicly recognized the child, whom the Taliban later murdered. The media reported in some cases security force units used children as personal servants or support staff, and for sexual purposes. The abuse and sexual exploitation of children continues to be an issue of serious concern, as members of the Afghan security forces and other groups of non-state actors frequently sexually abuse and exploit young girls and boys.

The Taliban have used children as combatants and combat support personnel since the 1990s, but increased their use in 2015 in conjunction with an increase in the group's operations against the Afghan government. The Taliban have a well-established process of indoctrination and recruitment using religious and military education, and teaching children between the ages of 6 and 13 how to use small arms and produce and deploy improvised explosive devices. Children from impoverished and rural areas, particularly those under Taliban control, are especially vulnerable to recruitment. The children receive food and clothing, and some families receive cash payments or protection in exchange for sending their children to the schools.

The Government of Afghanistan does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government doubled convictions and increased prosecutions of trafficking-related offenses in 2015. Despite these measures, the government did not demonstrate overall increasing anti-trafficking efforts compared to the previous reporting period; therefore, Afghanistan is placed on Tier 2 Watch List. Victim protection efforts remained inadequate. The government routinely incarcerated, prosecuted, and convicted trafficking victims as criminals for moral crimes. Official complicity remained a serious problem, especially in the sexual exploitation of children by members of the military and police, in spite of public statements by the President and the Ministry of Interior (MOI) condemning the practice; and the recruitment and use of children by Afghan security forces was a concern. However, the government reported no investigations, prosecutions, or convictions of complicit officials. The existing anti-trafficking law does not prohibit all forms of human trafficking, but the government began to revise it, aiming to align definitions of trafficking and smuggling with international law. Law enforcement and judicial officials continued to have a limited understanding of human trafficking, and the government did not develop or employ systematic procedures for the identification and referral of victims to protective services. Government-run shelters for trafficking victims remained closed during the reporting period, although government officials did refer trafficking victims to shelters run by NGOs on an informal basis.

### US State Dept Terrorism Report 2016

Afghanistan is currently identified by the US Secretary of State as a Safe Haven for International Terrorism

**Overview:** Primary responsibility for security in Afghanistan transitioned in January 2015 from U.S. and international forces, operating under the then NATO-led International Security Assistance Force (ISAF) Mission, to the Afghan National Defense and Security Forces (ANDSF), while U.S. forces maintain the capacity to conduct counterterrorism operations in Afghanistan as outlined in the U.S.-Afghan Bilateral Security Agreement. In 2016, the majority of counterterrorism operations were carried out in partnership with, or solely by, Afghan forces. Additionally, the United States supported Afghan efforts to professionalize and modernize Afghanistan's security forces through the contribution of almost 7,000 U.S. troops to the NATO Resolute Support Mission, a non-combat mission to train, advise, and assist Afghan security forces to improve their readiness and capabilities.

The fighting between the ANDSF and the Taliban throughout 2016 was characterized by the capture and recapture of facilities and territory by both sides, with the ANDSF maintaining control of major population centers – provincial capitals and the majority of district centers – while the Taliban gained or maintained control of substantial territory in less populated, rural areas (although it was able to regularly exert pressure on population centers), thereby creating an environment of persistent insecurity. Despite repeated sieges, the Taliban were unable to fully capture and hold provincial government capitals in Farah, Helmand, Kunduz, and Uruzgan. The Taliban, and the affiliated Haqqani Network (HQN), also increased high-profile terrorist attacks targeting Afghan government officials – including justice officials – and members of the international community.

ISIS's radical and violent ideology, combined with larger payments to fighters and their families, attracted disaffected elements of insurgent and terrorist groups in Afghanistan, however, a vast majority of Afghans, including Afghanistan-based militants such as the Taliban, rejected ISIS's ideology and brutal tactics. Islamic State's Khorasan Province (ISIS-K) presence was primarily limited to some areas of Nangarhar and Kunar provinces. The ANDSF and U.S. counterterrorism operations killed hundreds of ISIS-K fighters, including ISIS-K leader Hafiz Saeed Khan in July 2016 in Nangarhar Province. On numerous occasions, Taliban and ISIS-K fighters clashed over control of territory and resources. ISIS-K conducted a number of high-profile attacks during the second half of 2016.

**2016 Terrorist Incidents:** Insurgents across Afghanistan used a variety of tactics to expand their territorial influence, disrupt governance, and create a public perception of instability. According to ANDSF statistics, ANDSF casualties were 30 percent higher in 2016 than in 2015. Insurgents continued to use large vehicle-borne improvised explosive devices (VBIED) and complex attacks involving multiple attackers laden with suicide vests working in teams to target ANDSF, Afghan government buildings, foreign governments, and soft civilian targets to include international organizations. Kabul remained a focus of high-profile attacks. Baghlan, Farah, Ghazni, Helmand, Kunar, Nangarhar, and Uruzgan were the most dangerous provinces for ANDSF and civilians. U.S. citizens and foreigners continued to be targeted in kidnapping operations.

**Legislation, Law Enforcement, and Border Security:** The Afghan Attorney General's Office investigates and prosecutes violations of the laws that prohibit membership in terrorist or insurgent groups, violent acts committed against the state, hostage taking, murder, and the use of explosives against military forces and state infrastructure, including the *Law on Crimes against the Internal and External Security of the State* (1976 and 1987), the *Law on Combat Against Terrorist Offences* (2008), and the *Law of Firearms, Ammunition, and Explosives* (2005).

In early 2014, the Justice Center in Parwan (JCIP) at Bagram Airfield began adjudicating cases of individuals detained by Afghan security forces who were never held in Coalition Law of Armed Conflict (LOAC) detention. The JCIP is the only counterterrorism court in Afghanistan that has nationwide jurisdiction. Notable cases tried during 2016 included:

- Fazal Rabi, who was convicted of providing financial and logistical support to the HQN and the Taliban, while based in Pakistan. He was sentenced to 10 years confinement by the primary court on August 8. His case was awaiting an appellate court trial at year's end.
- Shaiuqullah was arrested in connection with rocket attacks on Bagram Airfield, which resulted in the death of a U.S. Defense Logistics Agency civilian. Shaiuqullah was found guilty of the lesser charge of membership in a terrorist organization by the primary court on May 9. He was sentenced to three years' confinement. The case was with the appellate court at year's end, which has ordered the NDS and Afghan prosecutors to provide more direct evidence supporting the murder charge.
- Anas Haqqani, who was detained in 2014, was sentenced to death by the primary court on August 29 for recruiting and fundraising on behalf of the HQN. Anas is the brother of Sirajuddin Haqqani, the deputy leader of the Taliban. The case remained in the Afghan legal system at the end of 2016.

On several occasions, U.S. law enforcement agencies assisted the Ministry of Interior, NDS, and other Afghan authorities to take action to disrupt and dismantle terrorist operations and prosecute terrorist suspects.

Afghanistan continued to process traveler arrivals and departures at major points of entry using the Personal Identification Secure Comparison and Evaluation System (PISCES). The system has been valuable for Afghanistan's law enforcement and counterterrorism authorities in investigative and analytical efforts, and has been successfully integrated with INTERPOL's i-24/7 system.

Afghanistan continued to face significant challenges in protecting the country's borders, particularly in the border regions with Pakistan. The Afghan Border Police leadership has stated its numbers and weaponry are insufficient to successfully secure border areas where they face difficult terrain, logistical challenges, and a heavily armed and determined insurgency.

Afghan civilian security forces continued to participate in the Department's Anti-Terrorism Assistance program, receiving capacity-building training and mentorship in specialized counterterrorism-related skillsets such as crisis response.

**Countering the Financing of Terrorism:** Afghanistan is a member of the Asia/Pacific Group on Money Laundering, a Financial Action Task Force (FATF)-style regional body. Afghanistan remains on FATF's list of "jurisdictions with strategic deficiencies" (the "gray list"). Specifically, insufficient cooperation and lack of capacity among government agencies continued to hamper terrorist finance investigations in Afghanistan.

In 2016, the FATF called on Afghanistan to "provide additional information regarding the implementation of its legal framework for identifying, tracing, and freezing terrorist assets [and] continue implementing its action plan to address the remaining anti-money laundering/combating the financing of terrorism (AML/CFT) deficiencies." Afghanistan's financial intelligence unit, the Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA), a member of the Egmont Group of Financial Intelligence Units, expressed its intent to reach the FATF action plan milestones.

Terrorist financing is a criminal offense in Afghanistan. In 2016, the attorney general issued an order immediately freezing assets of individuals and entities designated under UN Security Council resolutions 1267 and 1988. The Afghan government distributes UN sanctions lists under the 1267 and 1988 sanctions regimes to financial institutions via a link on FinTRACA's website. To ensure full compliance with international standards on asset freezing, FATF recommended increased awareness among various relevant authorities about its obligations under the country's CFT law.

Afghan officials indicated that because al-Qa'ida, the Taliban, and terrorist organizations from the Central Asian republics transfer their assets person-to-person or through informal banking system mechanisms like the *hawala* system, it is difficult to track, freeze, and confiscate assets. On occasions when more formal illicit transactions have come to the attention of the Afghan government, either via FinTRACA or security agencies, these entities reportedly worked promptly to both freeze and confiscate those assets.

The country's counterterrorist finance law considers non-profit organizations as legal persons and requires them to file suspicious transaction reports. Similarly, money services businesses



(MSBs), like *hawaladars* (brokers who informally transfer money within the *hawala* system), are required to register with and provide currency transaction reports to FinTRACA. Although these reports are not always consistently filed, supervision of *hawalas* and other MSBs is improving. FinTRACA revoked 61 business licenses and imposed \$45,000 in fines on MSBs in 2016 for failure to comply with anti-money laundering/counterterrorist financing laws.

### Financial

In 1999 the [United Nations](#) required all member states to freeze the assets, prevent the entry into or the transit through their territories, and prevent the direct or indirect supply, sale and transfer of arms and military equipment with regard to any individual or entity associated with Al-Qaida, Usama bin Laden and/or the Taliban as designated by the relevant Sanctions Committee.

In 2011 the Security Council split the sanctions regime into two groups - an Al-Qaida regime and a country-specific Afghanistan regime.

EU regulations in force

- [16.05.2013 Council Implementing Regulation \(EU\) No 451/2013](#) Amended Annex 1 to Regulation 753/2011
- [21.03.2013 Council Implementing Regulation \(EU\) No 261/2013](#) Amended Annex 1 to Regulation 753/ 2011
- [02.08.2012 Council Implementing Regulation \(EU\) No 705/2012](#) Amended Annex I to Regulation 753/201
- [17.07.2012 Council Implementing Regulation \(EU\) No 643/2012](#) Amended Annex I to Regulation 753/2011
- [20.10.2011 Council Implementing Regulation \(EU\) No 1049/2011](#) Amended Annex I to Regulation 753/2011
- [29.09.2011 Council Implementing Regulation \(EU\) No 968/2011](#) Amended Annex I to Regulation 753/2011
- [01.08.2011 Council Regulation \(EU\) No 753/2011](#) Reflected UNSCR 1988 (2011) split of previous UN Al-Qaida and Taliban sanctions regime into an Al-Qaida regime and a country-specific Afghanistan regime. Afghanistan regime targets previously listed under the Al-Qaida and Taliban Regulation 881/2002 moved to Annex I of Regulation 753/2011

## Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	15
World Governance Indicator – Control of Corruption	3

## Corruption and Government Transparency - Report by US State Department

Reports indicate corruption is endemic throughout society. Systemic corruption at border crossings hampers licit market economy development. Afghan officials collect bribes in exchange for undervaluing, under-weighting, or not scanning shipments, which facilitates smuggling of illegal goods and the illicit trade of legal goods, while also weakening Afghan revenue collection and regulatory institutions.

The practice of criminalizing commercial complaints is commonly used to settle business disputes or extort money from wealthy international investors. The government does not implement criminal penalties for official corruption effectively, and officials are reported frequently to engage in corrupt practices with impunity. There are reports of low-profile corruption cases successfully tried at the provincial level. The government made several commitments to combat corruption, including President Karzai's 2012 decree, but little progress had been made towards implementation.

During the past year, reports indicated a rise in incidents of "land grabbing" by both private and public actors. The most common type occurred when businesses illegally obtained property deeds from corrupt officials and sold the deeds to unsuspecting "homeowners," who would then get caught in criminal prosecutions. Other reports indicated that government officials grabbed land without compensation to swap the land for contracts or political favors. Occasionally, provincial governments illegally confiscated land without due process or compensation to build public facilities.

## Section 3 - Economy

Afghanistan's economy is recovering from decades of conflict. The economy has improved significantly since the fall of the Taliban regime in 2001 largely because of the infusion of international assistance, the recovery of the agricultural sector, and service sector growth. Despite the progress of the past few years, Afghanistan is extremely poor, landlocked, and highly dependent on foreign aid. Much of the population continues to suffer from shortages of housing, clean water, electricity, medical care, and jobs. Criminality, insecurity, weak governance, lack of infrastructure, and the Afghan Government's difficulty in extending rule of law to all parts of the country pose challenges to future economic growth. Afghanistan's living standards are among the lowest in the world.

The international community remains committed to Afghanistan's development, pledging over \$67 billion at nine donors' conferences between 2003 and 2010. In July 2012, the donors at the Tokyo conference pledged an additional \$16 billion in civilian aid through 2015. Despite this help, the Government of Afghanistan will need to overcome a number of challenges, including low revenue collection, anemic job creation, high levels of corruption, weak government capacity, and poor public infrastructure.

Afghanistan's growth rate slowed markedly in 2014-15. The drawdown of international security forces that started in 2014 has negatively affected economic growth, as a substantial portion of commerce, especially in the services sector, has catered to the ongoing international troop presence in the country. Afghan President Ashraf GHANI Ahmadzai is dedicated to instituting economic reforms to include improving revenue collection and fighting corruption. However, the reforms will take time to implement and Afghanistan will remain dependent on international donor support over the next several years.

### **Agriculture - products:**

opium, wheat, fruits, nuts; wool, mutton, sheepskins, lambskins, poppies

### **Industries:**

small-scale production of bricks, textiles, soap, furniture, shoes, fertilizer, apparel, food products, non-Exports - commodities:

opium, fruits and nuts, handwoven carpets, wool, cotton, hides and pelts, precious and semi-precious gems

### **Exports - commodities:**

opium, fruits and nuts, handwoven carpets, wool, cotton, hides and pelts, precious and semi-precious gems

### **Exports - partners:**

India 42.3%, Pakistan 29%, Tajikistan 7.6% (2015) alcoholic beverages, mineral water, cement; handwoven carpets; natural gas, coal, copper

### **Imports - commodities:**

machinery and other capital goods, food, textiles, petroleum products

### **Imports - partners:**

Pakistan 38.6%, India 8.9%, US 8.3%, Turkmenistan 6.2%, China 6%, Kazakhstan 5.9%, Azerbaijan 4.9% (2015)tan

### **Banking**

Finance is Afghanistan's second largest service-based industry (behind telecommunications) and contributes to private investment and economic growth. The sector has grown rapidly since the end of Taliban rule. Today, 17 commercial banks operate in Afghanistan, with total assets of \$4.1 billion (compared to assets of less than \$300 million in 2004). However, despite the boom in banking, most Afghans remain —unbanked, with only 5 percent of Afghans currently holding bank deposits. Moreover, many Afghans continue to rely on money service providers (or hawalas) to access finance and transfer money, due to the unfamiliarity with a functioning banking system and limited access to banks in rural areas. Banking remains highly centralized, with 75% of total loans made in Kabul Province. Bank lending is also undermined by a deficient legal and regulatory infrastructure that impedes the enforcement of property rights and development of collateral. The difficulty of accessing credit through banks and other formal financial institutions makes existing firms dependent on family funds and retained earnings, limits opportunities for entrepreneurialism, and reinforces dependence on the informal credit market.

Access to credit has been identified as one of the largest obstacles to investment in Afghanistan and credit to the private sector, according to 2008 data, stands at only around 9% of GDP (low relative to other developing countries). Afghanistan ranks 128<sup>th</sup> out of 183 countries for obtaining credit in the World Bank's 2011 "Doing Business Report." In response to this situation, investment funds, leasing, micro-financing, and SME-financing companies have begun to enter the market.

Afghanistan has a small public debt market. The Central Bank issues Capital Notes (akin to U.S. Treasury Bills) with maturities of one and six months. Interest rates on both maturities have stabilized at around 6 percent. Licensed commercial banks, money service providers, and foreign exchange dealers are eligible to participate in the primary auction of these securities and the Central Bank is currently working on a plan to encourage development of a secondary market for Capital Notes.

Afghanistan's Central Bank, the Da Afghanistan Bank (DAB), has taken important steps to improve banking regulation and supervision in recent years. However, serious challenges remain, including lack of capacity, limited operational transparency, a weak legal framework, and further need for improvements in supervision. The Central Bank is now conducting both on- and off-site supervision of all 17 commercial banks. Most bank loans have traditionally been structured as lines of credit rather than term loans, which tends to obscure the true level of non-performing loans. Under the guidance of the DAB, banks are converting lines of credit to term loans.

### Executive Summary

Afghanistan remains a very poor, agrarian economy with a small manufacturing base, few value-added industries, and a largely dollarized economy. International financial and security support has been instrumental in developing the Afghan economy post 2001; however, as much as 80-90 percent of Afghanistan's economy is in the informal sector. Government expenses will continue to exceed revenues, resulting in continued dependency on international donors for the foreseeable future.

The drawdown of international forces has hurt the economy significantly as demand for transport, construction, telecommunications and other services has fallen. Economic growth has slowed significantly after averaging 9.4 percent from 2003-12. The World Bank optimistically estimates growth at 1.9 percent for 2015. The Bank notes that a return to growth is conditioned on improvements in the security sector, "strong reform momentum," and investments in key economic sectors (mining and agriculture). Much higher growth rates are required to counter a 2.5 percent population growth and roughly 400,000 new entrants into the labor market each year.

Agriculture remains Afghanistan's most important source of employment: 60-80 percent of Afghanistan's population works in this sector, although it accounts for just a third of GDP due to insufficient irrigation, uneven rainfall, lack of market access, and other structural impediments. Most Afghans farmers are primarily subsistence farmers.

Investment has fallen off significantly in recent years, and what remains is largely financed by donors and the public sector. New firm registrations tailed off dramatically in 2014, with half as many new firms registered in 2014 compared to 2013. That level has remained constant in 2015. Afghanistan has a small formal financial services sector and domestic credit remains tight.

Challenges to business in Afghanistan center around a still-developing legal environment, security, varying interpretations of tax law, and the impact of corruption on administration:

- On the enabling environment for business, the Afghan government at all levels has emphasized its commitment to fostering private sector-led development and increasing domestic and foreign investment. Important government and civil society efforts to build an enabling environment for the private sector and to expand investment by developing natural resources and infrastructure have been hindered by institutional capacity and rent-seeking.
- Afghanistan's legal and regulatory frameworks and enforcement mechanisms remain underdeveloped and irregularly implemented. The existence of three overlapping legal systems -- Sharia (Islamic Law), Shura (traditional law and practice), and the formal system under the 2004 Constitution -- can be confusing to investors and legal professionals. Moreover, corruption hampers fair application of the laws. Commercial regulatory bodies are often understaffed and under capacity. Financial data systems are limited. Crucial sectors such as mining and hydrocarbons still lack a regulatory environment and policymaker support for investment.
- Afghanistan has continued work to improve business regulation and administrative transparency in connection with its pending accession to the World Trade

Organization (WTO), a positive sign for business reform. Afghanistan was formally welcomed into the WTO in December 2015. Afghanistan has also made a measure of progress on working with foreign investors in an attempt to resolve longstanding disputes over taxes and extrajudicial actions.

- On security, Afghanistan’s challenges are headline news, particularly for foreign businesses.
- Nevertheless, domestic and foreign business leaders in most parts of Afghanistan often report corruption and patronage in government administration are tougher challenges than lack of security.
- Although government officials express strong commitment to a market economy and foreign investment, Afghan and foreign business leaders report this attitude is not always reflected in practice. Private sector leaders routinely note that some government officials levy unofficial taxes and inflict bureaucratic delays to engage in corrupt practices.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	166 of 167	<a href="http://transparency.org/cpi2015/results">transparency.org/cpi2015/results</a>
World Bank’s Doing Business Report “Ease of Doing Business”	2015	177 of 189	<a href="http://doingbusiness.org/rankings">doingbusiness.org/rankings</a>
U.S. FDI in partner country (\$M USD, stock positions)	2014	3	<a href="http://bea.gov/international/factsheet/factsheet.cfm?Area=600BEA">http://bea.gov/international/factsheet/factsheet.cfm?Area=600BEA</a>
World Bank GNI per capita	2014	USD 680	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

*Millennium Challenge Corporation Country Scorecard*

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a per capita gross national income (GNI) of \$4,125 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: <http://www.mcc.gov/pages/selection/scorecards>. Details on each of the MCC’s indicators and a guide to reading the scorecards are available here: <http://www.mcc.gov/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015>. {Preceding is a mandated statement from the ICS instructions; MCC has a scorecard listed for Afghanistan at <https://assets.mcc.gov/documents/score-fy16-english-af-afghanistan.pdf>.}

**1. Openness To, and Restrictions Upon, Foreign Investment**

Attitude toward Foreign Direct Investment

Article 16 of the Private Investment Law of 2005 (PIL) stipulates that foreign investors are provided national treatment. President Ghani and the Afghan government have repeatedly spoken out about the need to attract inward investment.

#### Other Investment Policy Reviews

Afghanistan is not yet a member of the World Trade Organization. In December 2015 Afghanistan committed to a range of reforms in association with its pending accession to the WTO. The reforms are listed at:

[https://www.wto.org/english/news\\_e/news15\\_e/afgancommitmentsmc10\\_e.pdf](https://www.wto.org/english/news_e/news15_e/afgancommitmentsmc10_e.pdf).

Neither the U.N. Commission on Trade and Development (UNCTAD) nor the Organization on Economic Cooperation and Development (OECD) has conducted an Investment Policy Review.

Afghanistan's last major investment policy review was the Afghanistan National Development Strategy (ANDS), which was developed with the assistance of the United Nations Development Program (UNDP) and covered the period 2008-2013. That strategy attempted to guide development investments in the focus areas of (1) agriculture and rural rehabilitation, (2) human capacity development, and (3) economic development and infrastructure, through high-priority programs chosen for contributions to job creation, broad geographic impact, and likelihood of attracting additional investment. As of March 2016 the Afghanistan Investment Support Agency (AISA) is urging the government to consider an updated strategy, potentially focusing on support to industry, electricity generation, taxation reform, industry supports, customs, technology, and the agricultural sector.

#### Laws/Regulations on Foreign Direct Investment

In the Private Investment Law of 2005 (PIL), investment is defined as currency and contributions in kind, including, without limitation, licenses, leases, machinery, equipment, and industrial and intellectual-property rights provided for the purpose of acquiring shares of stock or other ownership interests in a registered enterprise. The PIL permits investments in nearly all sectors except nuclear power, gambling, and production of narcotics and intoxicants. There are also limitations on the total value of service transactions or assets with respect to motion pictures, road transport (passenger and freight), and on the total number of people that can be employed in security companies.

Foreign investors have repeatedly complained of irregularities in the court system, arbitration, and tax disputes. Disputes and disagreements have arisen from capricious application of the tax laws by the Ministry of Finance; harsh penalties on compliance issues that have resulted in company officials placed on the Afghan government's "no-fly" list and freezing of back accounts; disinclination to respect international agreements as primacy over national law; and extrajudicial actions in commercial or contract disputes that can result in the criminalization of foreign parties. As a result of the various legal and regulatory challenges, companies operating in Afghanistan should seek local legal counsel to help navigate licensing and permitting requirements and conforming to tax regulations.

#### *Business Registration*



Foreign or domestic companies investing in Afghanistan require at a minimum a business license issued by the Afghanistan Investment Support Agency (AISA), a corporate registration from the Afghanistan Central Business Registry (ACBR), and a Tax Identification Number issued by the Department of Revenue. AISA is the first entry into this process.

<http://www.aisa.org.af/en/page/services/company-startup-procedure>

<http://www.acbr.gov.af/registration.html>

<http://ard.mof.gov.af/en/page/information/service-standards/issue-of-taxpayer-identification-number>

Firms operating in selected sectors such as security, telecommunications, agriculture, and health require additional licenses from the relevant ministries. Firms seeking licenses to provide consultancy, legal, or audit services must meet requirements for education or related experience for top officers.

These steps to register a business can take as little as two days to complete but usually require longer and may require a local attorney's help. Putting parts of business registration and other administrative processes online and simplifying them mark significant steps by Afghanistan toward a more transparent, welcoming investment climate. Nevertheless, according to credible private sector contacts, requests for bribes and unexpected bureaucratic delays frequently occur during the registration process, for foreign firms and even more for Afghan firms.

Most AISA licenses must be renewed annually, except for companies operating under the Bilateral Security Agreement, for which the license period is three years. Plans are underway to extend the license validity to three years for all companies. It is widely understood within Afghanistan's private sector, especially among international companies operating in Afghanistan, that while starting a business in Afghanistan might be relatively easy, renewing a business license can be a difficult exercise. Applications for renewal are contingent upon certification from the Ministry of Finance (MOF) that all tax obligations have been met. Some companies have seen AISA license renewals delayed while MOF audits their tax status, despite MOF assurances that an ongoing tax audit should not impede AISA license renewal. According to contacts, corruption and bribery are commonplace in the license renewal process.

#### Industrial Promotion

The Afghanistan Investment Support Agency (AISA) is responsible for investment promotion and is currently reviewing its efforts. The High Commission on Investment (HCI) is responsible for investment policy making. The HCI includes participation by the Ministers of Agriculture, Economy, Finance, Foreign Affairs, Mines and Industries, the Governor of the Central Bank (Da Afghanistan Bank), and the Chief Executive Officer of AISA. The Minister of Commerce and Industries chairs the HCI. The High Economic Council, which is chaired by the President and includes both the HCI members and representatives from academia and the private sector, also plays a role in investment policy development.

#### Limits on Foreign Control and Right to Private Ownership and Establishment

Under the PIL, foreign and domestic private entities have equal standing and may establish and own business enterprises, engage in all forms of remunerative activity, and freely acquire and dispose of interests in business enterprises.

Although the HCI has authority to limit the share of foreign investment in some industries, specific economic sectors, and specific companies, that authority has never been exercised. In practice, investments may be 100 percent foreign owned.

While there is no requirement for foreigners to secure Afghan partners, the Afghan Constitution and the PIL prohibit foreign ownership of land. In practice most foreign firms find it necessary to work with an Afghan partner and many businesses cite lack of land ownership as one of the greatest impediments to investment in Afghanistan. Foreigners may lease arable land for 3-5 years and non-arable land for 25-30 years.

#### Privatization Program

There are no active privatization programs ongoing in Afghanistan.

#### Screening of FDI

Investment in certain sectors, such as production and sales of weapons and explosives, non-banking financial activities, insurance, natural resources, and infrastructure (defined as power, water, sewage, waste-treatment, airports, telecommunications, and health and education facilities) is subject to special consideration by the HCI, in consultation with relevant government ministries. The HCI may choose to apply specific requirements for investments in restricted sectors. Direct investment exceeding USD 3 million requires HCI approval of the investment application.

#### Competition Law

There is no relevant law or authority in Afghanistan for review of competition-related concerns, though some preliminary work has been taken towards developing a law. In some sectors, such as trading, fuels, money changing, and carpet production, small groups of businessmen reportedly have ability to sway market prices and forestall competition.

## **2. Conversion and Transfer Policies**

#### Foreign Exchange

Private investors have the right to transfer capital and profits out of Afghanistan, including for off-shore loan debt service. There are no restrictions on converting, remitting, or transferring funds associated with investment, such as dividends, return on capital, interest and principal on private foreign debt, lease payments, or royalties and management fees, into a freely usable currency at a legal market clearing rate. The PIL states that an investor may freely transfer investment dividends or proceeds from the sale of an approved enterprise abroad.

Major transactions in Afghanistan, such as sale of autos or property, are frequently conducted in dollars or in the currency of neighboring countries. Afghanistan does not maintain a dual-exchange-rate policy, currency controls, capital controls, or any other restrictions on the free flow of funds abroad. Afghanistan uses a managed floating exchange rate regime under which the exchange rate is determined by market forces. It is illegal to

transport more than AFN 1,000,000 (approximately USD 17,200) or the foreign currency equivalent out of Afghanistan via land or air; amounts over AFN 500,000 (approximately USD 8,600), but beneath AFN 1,000,000, must be declared. Enforcement of this law is widely reported to be haphazard, such as for passengers traveling through the VIP lounge at Kabul International Airport, where belongings receive little if any inspection from Afghan authorities to ensure that they are in compliance with reporting requirements.

#### *Remittance Policies*

Access to foreign exchange for investment is not restricted by any law or regulation. In practice, however, particularly in the provinces, many banks might not have the capacity to deal with foreign exchange. There are large, yet informal, foreign exchange markets in major cities and provinces such as Jalalabad, Kabul, Kandahar, Herat and Mazar-e Sharif, where U.S. dollars, British pounds, and euros are readily available. Entities wishing to buy and sell foreign exchange in Afghanistan must register with the central bank, Da Afghanistan Bank, but thousands of unlicensed money changers (“hawalas”) continue to practice their trade. Non-official money service providers often cite the lack of enforcement in the currency exchange sector, and the resulting competitive disadvantage to licensed exchangers, as a disincentive to becoming licensed.

In mid-2014, due in part to Afghanistan’s failure to pass Financial Action Task Force (FATF)-compliant Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) laws in a timely manner, some international correspondent banks began closing USD accounts held for Afghan banks abroad, which increased costs and processing times for inbound and outbound international funds transfers. Currently there is only one bank in Afghanistan with a correspondent relationship with a U.S. bank. Since then, Afghanistan has taken steps towards improving its AML/CFT regime. However, the FATF has determined that certain strategic deficiencies remain. The FATF encourages Afghanistan to address its remaining deficiencies and continue the process of implementing its action plan. Afghanistan has met four of six conditions for being removed from the compliance list.

### **3. Expropriation and Compensation**

The PIL allows for expropriation of investments or assets by the government on a non-discriminatory basis and only for the purposes of public interest. The law stipulates that the government shall provide prompt, adequate, and effective compensation in conformity with the principles of international law, equivalent to the fair market value. In cases of investment in a foreign currency, the law requires compensation to be made in that currency. The government may also confiscate private property to settle bad commercial debts. According to the PIL, investors with an ownership share of more than 25 percent may challenge the expropriation. There have been no reports of government expropriation of foreign assets, “creeping” or otherwise.

### **4. Dispute Settlement**

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Foreign firms involved in commercial disputes in Afghanistan report lengthy processes and opaque procedures.

The legal system of Afghanistan consists of Islamic, statutory and customary rules. The supreme law of the land is the Constitution. The judiciary system is composed of the Supreme Court, the Courts of Appeal and the Primary Courts. Since 2002, NGOs have been working to strengthen the rule of law in Afghanistan by identifying peaceful means for dispute resolutions, developing partnerships between state and community actors in the hopes of improving access to justice. Despite these efforts, as much as 80 percent of legal disputes are still resolved outside the formal justice system by community based tribal leaders. Contract law in Afghanistan is set out in the Afghanistan Commercial Code 1955 and the Afghanistan Civil Code 1977. Under these codes, parties are generally free to: a) enter into and perform a contract on any commercial subject matter provided that subject matter or performance is not contrary to law, public policy, or sharia; and b) agree to have the law of a foreign state govern their contract.

### Bankruptcy

Provisions in the Banking Law provide special procedures for bank insolvency. Afghanistan's general Law of Insolvency and Bankruptcy, however, is outdated and ineffective. The Department of Commerce Commercial Law Development Program (CLDP) is providing technical assistance to the Ministry of Commerce and Industry as it works with stakeholders and other government entities on drafting replacement insolvency legislation.

### Investment Disputes

The Embassy is aware of two disputes between the Government of Afghanistan and foreign investors. In one case a company alleges that equipment was unlawfully removed from a Customs facility, while in the other the investor and government have differed over whether the company has tax-exempt status.

### International Arbitration

Since 2005, Afghan law has expressly recognized alternative dispute resolution provisions. In 2014 the Afghanistan Centre for Dispute Resolution (ACDR), whose decisions are non-binding, was established with support from USAID and CLDP. The ACDR offers mediation, expert witness services, and award calculation services in a limited number of cases referred by the commercial courts and plans to expand its services to include arbitration. The ACDR is at a nascent stage of operation and the Embassy is continuing to hear views as to its operations and effectiveness.

### *ICSID Convention and New York Convention*

In 2005 Afghanistan became a signatory to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention). Under the New York Convention, Afghanistan has agreed to (a) recognize and enforce awards made in another contracted state, and (b) apply the convention to commercial disputes. Under the PIL and the Commercial Arbitration Law of 2007 (Arbitration Law), (a) parties can agree to have foreign law govern their contract and agree to have their disputes resolved through arbitration or other mechanisms inside or outside of Afghanistan, and (b) Afghan courts must enforce any resulting award or agreement.

Afghanistan has been a member state to the International Centre for Settlement of Investment Disputes (ICSID convention) since 1966. {Matt has researched but there is no further info on the enforceability provisions of the Washington Convention.}

#### Duration of Dispute Resolution – Local Courts

According to credible contacts, civil cases in the commercial court system can sometimes take more than 18 months for parties to obtain resolutions. Cases are frequently resolved more quickly through an informal system or, in some cases, pursuant to negotiations facilitated by formal justice system actors or private lawyers. Because there is often limited access to the formal legal system in rural areas, local elders and shuras (consultative gatherings, usually of men selected by the community) are often the primary means of settling both criminal matters and civil disputes, and they are known to levy unsanctioned punishments. Some estimates suggest that 80 percent of all disputes are resolved by shuras/jirgas.

Investors should be aware that the 2014 Human Rights Report noted that arbitrary arrests occur in most provinces and that there have been a number of cases in which the Attorney General's office, with the complicity of some police officials, imposed or threatened to impose criminal penalties on persons who may only be indirectly connected to a contractual dispute between a foreign company and an Afghan person or entity.

### **5. Performance Requirements and Investment Incentives**

#### WTO/TRIMS

Afghanistan is still working to accede to the World Trade Organization and does not adhere to the agreement on Trade-Related Investment Measures.

#### Investment Incentives

Afghanistan has no active incentive program.

Two sectors that require local employment are mineral extraction and electrical power. There are no existing government-imposed conditions on investment, beyond the procedures required for establishing or acquiring a business. There are no discriminatory export or import policies affecting foreign investors

Language in the Public Procurement Law of 2005 on government procurement favors domestic producers. That law specifies that procuring entities are obliged to procure goods, works, or services produced/furnished domestically, provided that the price of domestic procurement is not higher than imported procurement by a percentage set between five and 10 percent. CLDP and others are continuing to work with Afghan counterparts on how to improve the procurement law; the Public Procurement Law of 2015 has been passed by the Afghan Lower House and is still awaiting approval by the Upper House. Current drafts still retain a preference for national sources and domestic products.

Businesses report that they find it very difficult and time consuming to obtain visas for tourist passport holders coming to Afghanistan for business reasons. Before it will issue a visa, the Afghan government requires proof that the company the applicant represents is licensed in

Afghanistan and that non-Afghans working for the company have work permits. In order for employees to obtain a work permit, they must have a valid Afghan visa.

Foreign firms have also reported difficulty renewing visas for third-country nationals working in Afghanistan.

#### Data Storage

The Afghan government does not require the use of domestic content in goods or technology related to data storage. There are no requirements for foreign IT providers to turn over source code and/or provide access for surveillance purposes. The Ministry of Communications and Information Technology does not have domestic data storage requirements.

### **6. Protection of Property Rights**

#### Real Property

Property rights protection is weak due to a lack of cadasters or a comprehensive land titling system, disputed land titles, incapacity of commercial courts, and widespread corruption. Land laws in Afghanistan are inconsistent, overlapping, incomplete, or silent with regard to details of effective land management. Judges and attorneys are often without expertise in land matters. An estimated 80 percent of land is held and transferred informally, without legally recognized deeds, titles, or a simple means to prove ownership.

The acquisition of a clear land title to purchase real estate or a registered leasehold interest is complicated and cumbersome. The World Bank estimated in its 2016 "Doing Business Report" that it takes an average of 250 days and entails legal fees of five percent of the property value to register property. Investment disputes are common in the areas of land titling and contracts. Many documents evidencing land ownership are not archived in any official registry. Frequently, multiple "owners" claim the same piece of land, each asserting rights from a different source. These disputes hinder the development of commercial and agricultural enterprises. Real estate agents are not reliable. Instances of parties falsely claiming title to land that they do not own undermines investor confidence. Mortgages and liens are at an early stage of development. Foreign investors seeking to work with Afghan citizens to purchase property should conduct thorough due diligence to identify reliable partners.

#### Intellectual Property Rights

Prior to 2012 Afghanistan did not have fully operational intellectual property offices (IPOs) at the Ministry of Information and Culture (MOIC), which focuses on copyrights, and at the Ministry of Commerce and Industries (MOCI), which focuses on other intellectual property areas. Laws on copyrights, patents, trademarks, and geographical indications were adopted in the recent years. To fully comply with the WTO Trade Related Aspects of Intellectual Property Rights Agreement (TRIPS), laws related to other Intellectual Property (IP) substantive areas (e.g., industrial designs, trade secrets, and layout designs) are in the process of adoption and expected to come into force in 2016. Afghanistan's intellectual property regime provides investors with access to the judicial system and, in certain areas such as copyrights, to administrative appeals.

Given that IP is nascent in Afghanistan, the country has limited experience and needs significant capacity building to effectively enforce and administer IP laws. Since 2012, eight copyright cases have been referred to court by either the IPO at MOIC or right holders. Five of these cases have been resolved. Twenty patents applications have been submitted and are presently being examined by the IPO at MOCI. Presently in Afghanistan, there are around 3,400 registered trademarks and 2,200 trademarks applications pending registration. It takes on average 6 months to register a trademark, against a world average of 7-8 months. The number of trademarks registered in 2015 was 473. Copyrights registration is voluntary and is expected to commence in 2016.

Afghanistan is not listed in the United States Trade Representative's (USTR) Special 301 report or in its Notorious Markets report. Afghanistan has been a member of the World Intellectual Property Organization (WIPO) since 2005.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

#### *Resources for Rights Holders*

Contact at U.S. Embassy Kabul:

Economic Section  
Embassy of the United States of America  
Kabul, Afghanistan  
+93 (0) 700-108-001  
KabulEcon@State.gov

Contact at American Chamber of Commerce in Afghanistan:

Tom Muenzberg Executive Director  
[tmuenzberg@amcham-af.org](mailto:tmuenzberg@amcham-af.org)  
[www.amcham-af.org](http://www.amcham-af.org)

List of local lawyers is at <http://kabul.usembassy.gov/loi.html>

## **7. Transparency of the Regulatory System**

Afghanistan's Law on Publication and Enforcement of Legislation requires publication in the Official Gazette of official declarations, laws, decrees, and other legislative documents. There is no legal requirement or practice for publication and comment for domestic laws, regulations, or other measures of application that will become legally enforceable. In general, the Afghan government shares draft legislation with interested parties for comment and some ministries publish draft legislation in national newspapers for comment by the public.

Foreign firms in Afghanistan follow accounting procedures consistent with international norms.

## **8. Efficient Capital Markets and Portfolio Investment**

Afghanistan is in principle welcoming toward foreign portfolio investment, but financial institutions and markets are at an early stage of development.

#### Money and Banking System, Hostile Takeovers

Most Afghans remain outside the formal banking sector; roughly 10 percent of the population has bank accounts. Afghans continue to rely on an informal trust-based process referred to as Hawala to access finance and transfer money, due in part to religious acceptance, unfamiliarity with a formal banking system and limited access to banks in rural areas. Three of the four major mobile network operators - Etisalat, AWCC, and Roshan - offer mobile money services, with the fourth, MTN, planning to roll out their mobile money products in 2016. Further, the Afghan government plans to launch mobile money salary payments in the Ministry of Labor in March 2016. If successful, the government plans to expand mobile money payments to the ministries of Education and Interior Affairs.

Still, finance is Afghanistan's second-largest service industry behind telecommunications and is potentially an important driver of private investment and economic growth. As of December 2015, 15 commercial banks were operating in Afghanistan, with total assets of approximately USD 3.85 billion. There are three state banks: Bank-e Millie Afghan (Afghan National Bank), Pashtany Bank, and New Kabul Bank (formerly the privately owned Kabul Bank), and there are also branch offices of foreign banks, including Alfalah Bank (Pakistan), Habib Bank of Pakistan, and National Bank of Pakistan.

Banking remains highly centralized, with a considerable majority of total loans made in Kabul Province. Bank lending is undermined by a deficient legal and regulatory infrastructure that impedes the enforcement of property rights and development of collateral, though a banking reform law passed in 2015 could improve conditions. The aggregate loan-to-deposit ratio for the banking sector is 19.8 percent, and most banks concentrate on fee-based services and short-term credit to well-known customers. The difficulty of accessing credit through banks and other formal financial institutions makes existing firms dependent on family funds and retained earnings, limits opportunities for entrepreneurialism, and reinforces dependence on the informal financial sector.

The 2010 exposure of pervasive fraud at Kabul Bank revealed the underlying weaknesses in banking regulation and supervision. A recipient of significant technical assistance, the Afghan central bank Da Afghanistan Bank (DAB) has made improvements in monitoring and supervising the banking sector. Following his inauguration in September 2014, President Ghani moved to reopen the Kabul Bank investigation. Subsequently, the Supreme Court upheld an October 2014 appellate court ruling that froze the assets of certain debtors and extended the sentences of previously convicted officials involved in the case. The Afghan Government has a plan to recover assets from perpetrators of the large-scale bank fraud, though progress on its implementation remains sluggish and fraught with outside interference.

Formal credit to the private sector stands at less than 10 percent of GDP, significantly lower than other countries in the region. Afghanistan ranks 97 out of 189 economies for ease of obtaining credit in the World Bank's Doing Business 2016. Afghan entrepreneurs complain interest rates for commercial loans from local banks are high, averaging around 15.5 percent. In response to this situation, investment funds, leasing, micro-financing and SME-financing companies have entered the market. Yet, despite strong donor support for many



of their activities, these firms have been handicapped by difficulties in securing repayment. USAID is working with the Afghan government and the banking sector to promote improved access to finance and the expansion of financial inclusion. In March 2015 the U.S. Department of Treasury and the Afghan Ministry of Finance reinitiated financial capacity building and technical assistance at both DAB and MOF. As of writing, assessments have been conducted in banking supervision, public financial management, and revenue management to determine assistance needs.

## **9. Competition from State-Owned Enterprises**

The Government of Afghanistan operates over 30 active state-owned enterprises (SOEs), almost all of which are wholly-owned. About 11000 people are employed, in sectors including public security, construction, transport, agriculture, and extractives. Net income for all the SOEs is around USD 13M; only a few are profitable. All SOEs are overseen and regulated by the Ministry of Finance and directly operated by specific ministries depending on the nature of the operations. The Law on State Owned Enterprises includes specific targets for R&D investment, social development measures, and employee profit sharing, but compliance is negligible.

The Afghan government is also a stakeholder in 13 state-owned corporations (SOCs), entities that have independent boards and are not operated or directly supervised by the government. SOEs and SOCs make up a small share of overall economic activity, although a few SOCs have significant market share in their sectors, including Afghan Telecom (Aftel), Ariana Afghan Airlines, and the electrical utility DABS (Da Afghanistan Breshna Sherkat).

The Afghan government continues to modify existing legislation and draft new laws to meet its commitments as it prepares to accede to the World Trade Organization (WTO). Government officials have expressed interest in reform of government procurement laws.

OECD Guidelines on Corporate Governance of SOEs

Afghanistan does not have a centralized ownership entity for SOEs.

Sovereign Wealth Funds

Not applicable.

## **10. Responsible Business Conduct**

Afghan awareness of the term “Responsible Business Conduct” is nascent, but the government has encouraged large companies and foreign investors to invest in corporate social responsibility (CSR). Large mining contracts include stipulations for environmental protection and community inclusion. A comprehensive mining law passed in October 2014 requires mining contract holders to consult with communities that will be affected by mining projects and to implement a community development agreement that includes details of the firm’s environmental and social impact assessment. The law also requires extractive sector companies to safeguard and maintain any archeological and cultural relics they come across during the extraction operations until the Afghan government removes them. USAID continues to implement its Mining Investment and Development for Afghan

Sustainability (MIDAS) project, a portion of which provides guidance to communities living near mines through training and governance support.

Afghanistan is an Extractive Industries Transparency Initiative (EITI) candidate country. The 2014 Mining Law requires the Ministry of Mines and Petroleum to comply with the financial reporting requirements and standards of EITI.

A number of the competing mobile network operators have well-developed CSR outreach programs that include health, education, job creation, environmental protection and outreach to refugees. For instance, the largest telecom operator in Afghanistan, Roshan, whose majority owner is the Aga Khan Fund for Economic Development, has received recognition for its social responsibility mission, including from Forbes and B Lab as one of the 16 "Best for the World" midsize companies in 2015. In addition, some Afghan entrepreneurs, such as Ihsanullah Bayat, the Barakat Group, the Ghazanfar Group, Hotak Azizi, and the Alokozay Group, have foundations that provide assistance in the fields of health, education, and the eradication of poverty.

OECD Guidelines for Multinational Enterprises

Afghanistan is not a subscriber to the OECD Declaration and Decisions on International Investment and Multinational Enterprises.

## **11. Political Violence**

The U.S. Department of State continues to warn Americans against travel to Afghanistan. U.S. citizens should review the Consular Information Sheet and Travel Warning for Afghanistan for the most up-to-date information on the security situation and possible threats.

Anti-government and political violence are common and public concerns regarding security constrain economic activity. Security is a primary concern for investors. Foreign firms operating in country report spending a significant percentage of revenues on security infrastructure and operating expenses.

## **12. Corruption**

Afghan and foreign firms routinely cite corruption as their biggest obstacle to doing business, whether in permitting and licensing, government procurement, meeting regulatory requirements, or taxation. Reports indicate corruption is endemic throughout society. As just one example, systemic corruption at border crossings hampers development of the licit market economy. Afghan officials collect bribes in exchange for undervaluing, underweighing, or not scanning shipments, which facilitates smuggling of illegal goods and the illicit trade of legal goods, while also weakening Afghan revenue collection and regulatory institutions. The practice of criminalizing commercial complaints is commonly used to settle business disputes or extort money from wealthy international investors. The government does not implement criminal penalties for official corruption effectively, and officials are reported to frequently engage in corrupt practices with impunity. There are reports of low-profile corruption cases successfully tried and of lower-level officials removed for corruption.

President Ghani has made anti-corruption efforts a major focus of his attention and the government has seen some success in reform of procurements and customs. But despite high-level attention, corruption remains systemic.

Disputes over land and land grabbing have risen over the last decade. Reports indicate that government officials have grabbed land without compensation to swap for contracts or political favors. Occasionally, provincial governments illegally confiscated land without due process or compensation to build public facilities.

*UN Anticorruption Convention, OECD Convention on Combatting Bribery*

Afghanistan has signed and ratified the UN Anticorruption Convention. Afghanistan is not party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

*Resources to Report Corruption*

The Afghan Government body responsible for combating corruption is the High Office of Oversight & Anti-Corruption, though prosecutorial authority has been transferred to the Attorney General's Office.

Afghan Government Point of Contact:

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Watchdog Organization Contact:

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Executive Director  
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### **13. Bilateral Investment Agreements**

In 2004, Afghanistan signed a Trade and Investment Framework Agreement (TIFA) with the United States. Afghanistan does not have a bilateral investment treaty (BIT) with the United States.

Afghanistan has signed multiple trade, economic, and investment agreements/memoranda of understanding with other countries. The most significant is the Afghanistan Pakistan Transit Trade Agreement (APTTA), signed in 2010.

The United States, European Union, India, Canada, and Japan have granted Afghan exports preferential import tariffs under their Generalized Systems of Preference. Afghanistan is a member of the Economic Cooperation Organization (ECO), the South Asia Free Trade Area (SAFTA), the South Asian Association for Regional Cooperation (SAARC), and of Central Asian Regional Economic Cooperation (CAREC). The Afghan government has stated its intent to

formally join the Transport Corridor Europe Caucasus Asia organization (TRACECA). {TRACECA still pending as of March 2016}

#### Bilateral Taxation Treaties

Afghanistan has concluded bilateral investment treaties with Germany, Iran, and Turkey. Afghanistan does not have a bilateral taxation treaty with the United States.

As of March 2016, the Embassy estimates that over 30 U.S. firms and U.S.-related entities are working with the Afghan government to resolve persistent differences over dividend taxes, vendor withholding tax obligations, taxation of U.S. government assistance, and other troubling tax and contract disputes.

#### 14. Foreign Trade Zones/Free Ports/Trade Facilitation

None currently. The Afghan government, through the Afghan Airfield Economic Development Commission (AAEDC), is considering Special Economic Zones (SEZs) to develop certain military bases and airfields that will eventually be transferred to Afghan civilian control. If the plan is approved the Afghan government will need to enact SEZ laws and regulations before such zones can be established.

#### 15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country Statistical source		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2015	\$17,905	2014	\$20,040	<a href="http://www.worldbank.org/en/country/afghanistan">www.worldbank.org/en/country/afghanistan</a>
Foreign Direct Investment	Host Country Statistical source		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	N/A	N/A	2014	\$3	<a href="http://bea.gov/international/factsheet/factsheet.cfm?Area=600">http://bea.gov/international/factsheet/factsheet.cfm?Area=600</a>
Host country's FDI in the United States (\$M USD, stock positions)	N/A	N/A	2014	\$1	<a href="http://bea.gov/international/factsheet/factsheet.cfm?Area=600">http://bea.gov/international/factsheet/factsheet.cfm?Area=600</a>

Total inbound stock of FDI as % host GDP	N/A	N/A	N/A	N/A	N/A
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*Table 3: Sources and Destination of FDI*

Foreign direct investment position data are not available for Afghanistan.

*Table 4: Sources of Portfolio Investment*

Portfolio investment data are not available for Afghanistan.

## Section 5 - Government

### Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

### Legal system:

Mixed legal system of civil, customary, and Islamic law

### International organization participation:

ADB, CICA, CP, ECO, EITI (candidate country), FAO, G-77, IAEA, IBRD, ICAO, ICC (NGOs), ICRM, IDA, IDB, IFAD, IFC, IFRC, ILO, IMF, Interpol, IOC, IOM, IPU, ISO (correspondent), ITSO, ITU, MIGA, NAM, OIC, OPCW, OSCE (partner), SAARC, SACEP, SCO (observer), UN, UNCTAD, UNESCO, UNIDO, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

## Section 6 - Tax

### Exchange control

There are no exchange control restrictions in Afghanistan. Foreign exchange can be transferred in or out of Afghanistan without any restrictions.

### Treaty and non-treaty withholding tax rates

Currently, the Government of Afghanistan has no treaty signed for avoidance of double taxation with any other countries.

## Methodology and Sources

### Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

### Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
<a href="#">FATF List of Countries identified with strategic AML deficiencies</a>	Not Listed	AML Deficient but Committed	High Risk
<a href="#">Compliance with FATF 40 + 9 recommendations</a>	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
<a href="#">US Dept of State Money Laundering assessment (INCSR)</a>	Monitored	Concern	Primary Concern
<a href="#">INCSR - Weakness in Government Legislation</a>	<2	2-4	5-20
<a href="#">US Sec of State supporter of / Safe Haven for International Terrorism</a>	No	Safe Haven for Terrorism	State Supporter of Terrorism
<a href="#">EU White list equivalent jurisdictions</a>	Yes		No
<a href="#">International Sanctions UN Sanctions / US Sanctions / EU Sanctions</a>	None	Arab League / Other	UN , EU or US
<a href="#">Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network</a>	>69%	35 – 69%	<35%
<a href="#">World government Indicators (Average)</a>	>69%	35 – 69%	<35%
<a href="#">Failed States Index (Average)</a>	>69%	35 – 69%	<35%
<a href="#">Offshore Finance Centre</a>	No		Yes



### **Section 3 - Economy**

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

### **Section 4 - Foreign Investment**

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

### **Section 5 - Government**

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

### **Section 6 - Tax**

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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