

2018 ISLAMICITY INDICES - AFGHANISTAN

SUMMARY

Although Afghanistan made noteworthy improvements in its Islamicity scores and ranks in 2018, it is still an underperformer. Given that it is a conflict-affected country in active war with non-state armed groups, still it made great strides in improving its position across all indices. It accounted for one of the best improvements globally in rankings across four of the five indices. However, the country continues to suffer the effects of a nascent state, a stagnant economy, and weak governance institutions. Those challenges are exacerbated by the hardships of conflict and insecurity. The country's challenges are reflected in the low scores and ranks in the indices.

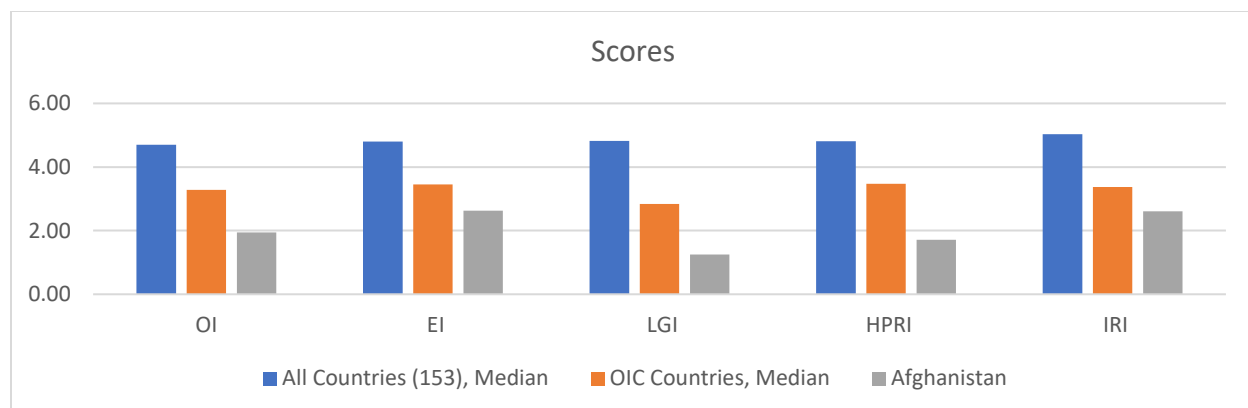
To make a turnaround and improve its condition, Afghanistan should strive to establish robust institutions *in the context of Islam*. Only after the country internalizes the precepts of Islam and teachings of Qur'an and hadiths, including restoring domestic peace, can it effectively build the foundation for prosperity and growth in strong and robust institutions.

SCORES AND RANKS – COMPARISON TO OTHER AVERAGES

In 2018, Afghanistan's Islamicity Indices ranking fell in the lower spectrum of the fourth quartile. Its scores reflect its rankings. When comparing to the average rankings of the three categories of classification it inhabits, namely the global, OIC, and Low-Income, its position comes into greater focus. Its rankings fall far lower than even the Low-Income country averages, as evidenced in the table below.

<i>Ranks</i>	OI	EI	LGI	HPRI	IRI
<i>All Countries (153), median</i>	76.0	77.0	77.0	77.0	77.0
<i>OIC Countries, median</i>	118.5	113.0	115.5	112.0	119.0
<i>Low-Income, median</i>	128.0	132.0	127.0	126.0	67.0
<i>Afghanistan</i>	146.0	137.0	141.0	148.0	129.0

The scores also fall far below the OIC country averages (see figure below). In OI (the Overall Index), its scores are in the third quartile, in EI (Economy Index) – in the second quartile, in LGI (Legal and Governance Index) – in fourth quartile, in HPRI (Human and Political Rights Index) – in third quartile, and in IRI (International Relations Index) – in the second quartile.



However, when looking at the scores table and the percentage change relative to 2017, Afghanistan's performance is noteworthy. Despite the continued conflict and insecurity, economic hardships, and a weak institutional governance structure, it improved its scores. They increased remarkably across all indices. Its scores in EI, HPRI, IRI, and OI have increased by over 20%. Most significantly, its IRI score improved by 39%, while for the rest of world, it improved by a modest 1.66%, with a decline of 7.81% for OIC countries.

Scores	OI	EI	LGI	HPRI	IRI
All Countries (153), average	4.70	4.80	4.82	4.81	5.03
OIC Countries, average	3.28	3.45	2.84	3.47	3.37
Afghanistan	1.94	2.63	1.25	1.71	2.61
Percentage Change in Average Score Relative to 2017 for All Countries	1.60	1.54	2.47	0.40	1.66
Percentage Change in Average Score Relative to 2017 for OIC Countries	4.79	-9.08	1.89	11.7	-7.81
Percentage Change in Average Score Relative to 2017 for Afghanistan	23.00	26.00	5.00	26.00	39.00

Similarly, when comparing its 2018 ranking to 2017, they have also remarkably improved (see table below). Its EI and IRI ranks have improved by 9 and 16 spots, respectively. The country did best in its international relations, ranking highest in IRI among the indices. Albeit, its ranks have jumped up across all other indices, its OI rank improved by merely 2 spots. Nonetheless, the improvements reflect a trendline towards a strengthening institutional structure.

Changes	OI	EI	LGI	HPRI	IRI
Rank (in spots)	2	9	5	2	16
Scores (in %)	23	26	5	26	39

AFGHANISTAN ON THE TOP TEN LISTS

Afghanistan's improvements in scores and ranks were significant enough to make the top ten lists across four of the five indices. It was among the top ten improvers in OI scores, standing only behind Angola. Although it made modest gains in its rank, its score increased by 23% - the highest improvements of any OIC country.

Similarly, in EI, it has one of the top ten improvements in scores. With a 26.3% gain, it is the only OIC country in the top ten list, ranking fourth behind Russia, Argentina, and Congo.

In LGI, while its score did not make the top ten list, its rank did. With an improvement of 5 spots, it culminated the list along with the other three OIC countries.

Once again, its LGI score improvement by 26% made the top ten list along with the other six OIC countries.

Lastly, while its IRI score and rank improvements were high, they did not make the top ten lists. Other countries made greater advances in this regard.

COMPARISON TO OIC COUNTRIES OVERALL AND THE REGION

Afghanistan fell in the fourth quartile of performances among the OIC countries, despite the gains mentioned above as well as scoring in the second quartile for both EI and IRI.

Regionally, it did the worst in terms of rank among the OIC countries of Asia-Pacific, South Asia, and Central Asia. In OI, its performance is only better than those of Libya, Syria, Chad, Sudan, and Yemen.

<i>Region</i>	<i>Country</i>	<i>OI Rank</i>	<i>EI Rank</i>	<i>LGI Rank</i>	<i>HRI Rank</i>	<i>IRI Rank</i>
Asia	Afghanistan	146	137	141	148	129
Africa	Libya	147	145	152	118	145
Middle East	Syria	149	135	145	139	151
Africa	Chad	151	142	148	152	119
Africa	Sudan	152	151	151	151	135
Middle East	Yemen	153	153	150	153	149

EXAMINATION OF CHANGES IN THE INDICES

In the face of many headwinds, Afghanistan improved on its Islamicity indices. Yet, major challenges remain. To further improve its scores, the government must continue pushing

structural reforms that improves its effectiveness and performance. It must address the rampant and high levels of perceived corruption. It must strengthen its legal system and the rule of law. And it must find a political solution to its conflict with the insurgency that continue to have a high impact on every aspect of the socio-economic life.

ECONOMIC ISLAMICITY

The economic prospects continue to be clouded by numerous challenges, foremost by the precarious security situation and political uncertainty. Despite immense challenges, the country improved its score and rank in EI with reforms that remain key to achieving higher and more inclusive growth. Among the major determinants of the increase in score are the modest growth rate, structural improvements, and business reforms.

2018 real GDP growth stood at 2.7%. The higher than previously expected growth reflects the strong industrial performance, driven by construction as well as supported by expanding domestic production that has more than offset the drag from drought-affected agriculture. Continued growth is predicted for the country as it develops and enacts policies of import substitution and small-scale industrialization.

Fiscal performance was also strong in 2018 owing to structural reforms such as improvements in tax collections¹ and improvements in budgetary processes². While inflation remained stable, exchange rate depreciated amidst the growing uncertainty and regional factors.

The country additionally carried out a record number of business reforms. Starting a business became less costly by reducing the fees for business incorporation. Access to credit was strengthened by enacting a new insolvency law. Minority investor protections were strengthened substantially, making Afghanistan one of the economies advancing the most in this area. Paying taxes was made easier by adopting a new tax administration and law manual with clear rules and guidelines on tax audit and by automating the submission of tax returns. And Resolving insolvency became easier.³

LEGAL AND GOVERNANCE

In LGI, Afghanistan saw a slight improvement in score of 5%, despite a weak rule of law, extensive corruption throughout the government, and an overall unsafe environment. The improvement can be attributed to a minor increase in the country's corruption perception score. It is also due to an improvement in government effectiveness, primarily through the budget expenditure improvement.

¹ Domestic revenues improved by 13%

² Total expenditure rose to 92%.

³ <http://documents.worldbank.org/curated/en/389621554235509595/pdf/The-World-Bank-Group-in-Afghanistan-Country-Update.pdf>

HUMAN AND POLITICAL RIGHTS

The human rights and political liberties continue to be violated due to insecurity, insurgency, and a weak state. 2018 was marked by a sharp increase in insurgent attacks. The conflict killed or injured more than 10,000 civilians between January and December. The insurgency has undermined the writ of state in much of the rural areas. Close to a third of the country are outside of state control. Political rights and civil liberties are consequently curtailed.

Despite these grave challenges, Afghanistan saw an improvement in its HPRI with an increase in score of 26%. Those were largely attributable to increase in the level of political and civil liberties and an increase in the level of freedom. According to Freedom House, Afghanistan's score improved from 24 (out of 100) in 2017 to 27 in 2018. The country also saw an increase in political freedom.

Nonetheless, the country continues to suffer on all other fronts such as education, social capital, and health. For the first time since 2002, the number of children in school fell; 60% of Afghan girls were not in school during the year. Violence and insecurity have also affected social relationships as insurgents carried out indiscriminate attacks against civilians.

INTERNATIONAL RELATIONS

Afghanistan saw the biggest increase in its IRI. Its score increased by 39%. The country's decrease in its level of militarization is solely responsible for that increase. In 2018, Afghanistan allocated lower levels of resources to the armed forces in comparison to other areas of society.

Despite the improvement in score, the country continues to be one of the least peaceful places in the world along with Syria, South Sudan, Iraq and Somalia.

CONCLUSION

To build strong institutions necessary for socio-economic progress, Afghanistan should enforce reforms that more closely follow the precepts of Islam and teachings of Qur'an and hadiths in its governance practices. And to make the biggest improvements, the country should address its political and governance challenges related to peace talks and widespread corruption. The most successful countries, perform well across all four indices that make up the Overall Index.

Insecurity and war have had a grave impact on all aspects of war. The prospect of negotiations and peace talks offer hope for a much-needed improvement in the security situation. A durable peace will boost private sector confidence and pro-growth investment, supported by repatriation of overseas capital, that would improve economic prospects significantly.

Fighting corruption should remain at the center of the authorities' reform efforts. While the enactment of the Anti-Corruption Law was a welcome step, effective implementation and enforcement of the requirements and prosecuting and convicting corrupt senior officials remain a top priority.