ASSESSING IRAQI KURDISTAN'S STABILITY

HOW PATRONAGE SHAPES CONFLICT

Zmkan Ali Saleem and Mac Skelton

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Assessing Iraqi Kurdistan's Stability: How Patronage Shapes Conflict

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Abstract

The Kurdistan Region of Iraq (KRI) has generally lacked the security incidents common throughout the country since 2003. Yet, tension between the main political parties ruling over the region – the Erbil-based Kurdistan Democratic Party (KDP) and the Sulaimani-based Patriotic Union of Kurdistan (PUK) – has increasingly come to the surface. What explains these increasingly overt signs of volatility? The post-2003 political order in the KRI is built upon a two-party patronage system that undercuts any meaningful institutionalisation of a joint administrative and security system. Public employment, access to government contracts, and positions in security forces are mediated by party-controlled channels. Troublingly, the potential for conflict arises when one party impedes on the capacity of the other to maintain its patronage networks. Expectations that the current dip in oil prices will encourage political reforms are likely misplaced. Analysts have too often understood Iraqi Kurdistan through the lens of oil-based rentierism, despite the fact that previous dips in oil prices have never substantively diminished the capacity of the parties to maintain patronage networks. In the absence of sustained pressure from the public or international community, the political order will continue to rest upon a two-party patronage system, leaving the region vulnerable to instability.

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Executive Summary

After years of conflict and a civil war during the 1990s, the post-2003 settlement enshrined an era of shared governance in Iraqi Kurdistan, with each of the two major Kurdish political parties agreeing to collaborate in a joint regional government. In the years that followed the invasion, the political formula appeared to work, and the region was often lauded for its development and stability. The Kurdistan Democratic Party (KDP) and the Patriotic Union of Kurdistan (PUK) formed unity governments and even went so far as to campaign jointly in elections. But recently the arrangement has showed signs of fissures. In April 2020, for the first time since the end of the civil war in 1998, the Kurdish region witnessed a military standoff between peshmerga forces controlled by the PUK and the KDP. This report contends that the sources of this volatility are not new. The post-2003 political order in Iraqi Kurdistan is built upon a two-party patronage system that undercuts any meaningful institutionalisation of a joint administrative and security system. Public employment, access to government contracts, and positions in security forces are mediated by party-controlled channels. Because of the extensiveness of the KDP and PUK's patronage networks, the region is unified only in name. In unpacking the structure of this patronage system, the paper makes the following arguments:

(1) Patronage and the potential for conflict are tied together

Rather than reinforcing loyalty to the regional government, networks of patronage in the Kurdistan Region of Iraq (KRI) are tightly organised around the two main parties and their respective subregions. The potential for conflict arises when one party impedes on the capacity of the other to maintain its patronage networks. The civil war in the 1990s emerged over disputes related to revenues at the border crossings. Such disputes are far from over. Recent tensions between the two parties have emerged over the control of oil and gas fields, in addition to allocations of the Kurdistan Regional Government (KRG) administrative budget.

(2) Patronage is a totalising system, encompassing the public and private sectors

It is almost impossible to obtain a senior post in the KRG outside the party apparatus of either the KDP or the PUK. The private sector is equally embedded within the party system. It is extremely difficult for any large business to operate without direct partnerships with party companies and proxies.

(3) The Kurdish security apparatus is a major source of party-based patronage

To date, the routes of entry into the security forces – and particularly the officer ranks – are mediated through party channels. The Ministry of Peshmerga distributes salaries to the PUK and the KDP forces based on numbers and lists provided by local commanders. This reporting system grants the commanders, and therefore the parties, with enormous leverage over their fighters.

(4) The drop in oil prices will not necessarily threaten party-based patronage

Analysts have too often understood Iraqi Kurdistan through the lens of oil-based rent-ierism, despite the fact that previous dips in oil prices have never succeeded in shifting the structural dominance of party-based patronage in the region. Not only are funding streams diverse beyond oil (e.g., border crossings, party-owned companies and deals, etc.), obedience to the party-dominated order is strictly enforced. Both parties' networks and structures of patronage are decades old, forcefully administered, and well-equipped to absorb economic shocks. KRI residents know that ultimately the KDP and PUK are the only game in town in terms of access to jobs and resources.

(5) The international community has the most leverage over the Kurdish parties due to decades of consistent financial and diplomatic support

The international community should encourage transparency in key financial and resource institutions, particularly the ministries of finance and natural resources. Similarly, introducing robust independent oversight at the KRG-controlled border crossings and other key points of state revenue generation would improve public confidence in government. Moreover, it is time for the US, UK, Germany and France to apply greater pressure on the PUK/KDP to loosen financial and tactical control over the peshmerga as well as the security forces controlled by the Ministry of Interior, introducing a comprehensive package of reforms that eliminate party-controlled approvals of new recruits and meaningfully place both recruitment and operational command under the KRG Ministries of Peshmerga and Interior.

Introduction

Between 2005 and 2014, it was not uncommon to read headlines about the Kurdish region that lauded its development and stability. At the height of sectarian warfare in Baghdad (2006–7), Erbil and Sulaimani were said to be in the midst of a renaissance,[1] successfully putting the legacy of the Kurdish civil war behind them in favour of a shared future. In 2006, the two ruling parties – the KDP and PUK – entered into a power-sharing agreement that appeared to place the region under a mostly coherent governing system, seemingly solidifying a commitment to cooperation after the turbulent conflicts and violence between the two parties in the 1990s.[2] And indeed, it would be hard to deny that the Kurdish region has witnessed a notable development of infrastructure, foreign investment, and services between 2003 and the present.[3]

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[1] Soner Cagaptay, Audrey Flake and Michael Knights, 'The Future of the Iraqi Kurds', *Washington Institute/Policy Focus* 85 (July 2008). Available at https://www.washingtoninstitute.org/uploads/Documents/pubs/PolicyFocus85v2.pdf; Bob Simon, 'Kurdistan: The Other Iraq', *CBS 60 Minutes*, 5 August 2007. Available at http://www.cbsnews.com/stories/2007/02/16/60minutes/main2486679.shtml

[2] Klaas Glenewinkel, 'Unification of the administration in Kurdistan Region', *Niqash*, 18 January 2006. Available at https://www.niqash.org/en/articles/politics/1115/

[3] Johannes Jude, 'Contesting Borders? The formation of Iraqi Kurdistan's de facto state', *International Affairs* vol.93, no.4 (2017), p. 854.

And yet, the stubborn persistence of destabilising tension between the two main Kurdish parties and their respective territorial zones has increasingly come to the surface. In the decade after the 2003 invasion, the leadership of the two parties strove to keep fierce disagreements over the revenue sharing and administration out of public view. However, this veneer of unity started to break down with the declining health of the PUK's Jalal Talabani starting in 2012, exacerbating existing disagreements within the PUK around the party's approach to the KDP. Following the Kurdish independence referendum in October 2017, the KDP publicly labelled elements within the PUK as traitors and has effectively attempted to minimise PUK representation across the KRG administration.[45] While the intensity of the rhetoric has since cooled somewhat, the new PUK co-presidency has yet to meet with KDP leadership due to the acute ongoing disputes between the two sides. In recent months during the COVID-19 pandemic, risks of military confrontations between KDP and PUK peshmerga units have reached a breaking point,[6] with claims of encroachments onto each other's traditional territory.

What explains this double-edged dynamic of overall stability at the level of security incidents coupled with stubborn persistence of fierce inter-party conflict and tension? The existing literature has emphasised the stability side, attributing the KRG's relative security and development to the ideological coherence and ethnic homogeneity of Iraqi Kurdish society,[7] external incentives and support in the form of diplomatic and financial assistance,[8] and perhaps most crucially, the steady flow of oil revenues, which has enabled

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[4] 'What Do the PUK and the KDP say to each other on October 16?', *Sbeiy.com*, 16 October 2018. Available at https://www.sbeiy.com/Details.aspx?jimare=9666

[5] Rizgar Ali, 'Deterioration in the relation between the PUK and the KDP has delayed appointing a new governor for Kirkuk', *Awene.com*, 25 September 2019. Available at http://www.awene.com/detail?article=13470; 'The current governor of Kirkuk deepens the disputes between the KDP and the PUK', *Nrttv.com*, 22 May 2019. Available at https://www.nrttv.com/News.aspx?id=16408&MapID=1

[6] Karwan Faidhi Dri, 'What is behind the armed Kurdish party standoff in Zini Warte?', *Rudaw*, 24 April 2020. Available at https://www.rudaw.net/english/analysis/21042020

[7] See for instance David Romano, *The Kurdish Nationalist Movement: Opportunity, Mobilization, and Identity* (Cambridge: Cambridge University Press, 2006), pp. 183–222; Mohammed M. A. Ahmed, *Iraqi Kurds and Nation-Building* (New York: Palgrave Macmillan, 2010); Michael M. Gunter, *The Kurds Ascending: The Evolving Solution to the Kurdish Problem in Iraq and Turkey* (New York: Palgrave Macmillan, 2008), pp. 11–35; Ofra Bengio, *The Kurds of Iraq: Building a State Within a State* (Boulder, CO: Lynne Rienner Publishers, 2012); David Romano, 'Iraqi Kurdistan: Challenges of autonomy in the wake of US withdrawal', *International Affairs* vol. 86, no. 6 (2010); Gareth Stansfield and Liam Anderson, 'Kurds in Iraq: The Struggle Between Baghdad And Erbil', *Middle East Policy* vol. XVI, no. 1 (2009); Brendan O'Leary, John MacGarry, and Khaled Salih (eds), *The Future of Kurdistan in Iraq* (Philadelphia: University of Pennsylvania Press, 2005); Liam Anderson and Gareth Stansfield, *The Future Of Iraq: Dictatorship, Democracy, or Division?* (New York: Palgrave Macmillan, 2004), pp. 155–85; International Crisis Group, 'War in Iraq: What's Next For the Kurds?', *Middle East Report* no. 10 (19 March 2003). Available at https://d2071andvipowj.cloudfront.net/10-war-in-iraq-what-s-next-for-the-kurds.pdf; and Denise Natali, 'The Kurdish Quasi-State: Leveraging Political Limbo', *The Washington Quarterly* vol. 38, no. 1 (2015).

[8] Jude, 'Contesting Borders?'; Nicole F. Watts, 'Democracy and Self-determination in the Kurdistan Region of Iraq', in David Romano and Mehmet Gurses (eds), *Conflict, Democratization, and the Kurds in the Middle East: Turkey, Iran, Iraq, and Syria* (New York: Palgrave Macmillan, 2014), pp. 141–71.

the government to operate as a quasi-rentier state with vast patronage networks.[9] In what follows, it is argued that the two-party structure of this patronage system – which previous studies have ignored – is the key to understanding both the presence of stability and potential for conflict in the Kurdistan region.

In previous scholarly discussions of rentierism and patronage in Kurdistan, the emphasis in the literature on the primary source of current revenue and resources (i.e., oil production) sidesteps the more central question of the mechanisms and systems through which that revenue is distributed, as well as the additional funding sources beyond oil. Despite the existence of joint administrative institutions and discourses of Kurdish unity, networks of patronage are tightly organised around the two parties and their respective subregions, with the KDP cultivating loyalties in Erbil and Dohuk and the PUK doing the same in Sulaimani, Halabja and Garmian. Both parties have also cultivated loyalties in the disputed territories.[10] Due to this bifurcated structure of patronage, population buy-in and political stability are generated at the sub-regional level. The appearance of stability at the level of the Kurdish region as a whole remains in so far as both parties benefit from displaying a common front in engagements with Baghdad and the international community over revenue sharing. However, the priority of each party remains at the level of sub-regional loyalties, meaning that the potential for conflict arises if and when one party impedes on

[9] See for instance: 'After Iraqi Kurdistan's Thwarted Independence Bid', *International Crisis Group*, 27 March 2019, p. 2. Available at https://d2071andvip0wj.cloudfront.net/199-after-iraqi-kurdistan.pdf; Denise Natali, 'The Politics of Kurdish Crude', *Middle East Policy* vol. XIX, no. 1 (Spring 2012); Alex Dziadosz, 'The Economic Case Against an Independent Kurdistan: The costs will be large and exacting', *The Atlantic*, 26 September 2017. Available at https://www.theatlantic.com/international/archive/2017/09/kurdistan-barzani-iraq-turkey-blockade-oil/541149/; Kawa Hassan, 'Kurdistan's Politicized Society Confronts a Sultanistic System', *Carnegie Endowment for International Peace* (August 2015). Available at https://carnegieendowment.org/files/CMEC_54_Hassan_11.pdf; Nesreen Barwari, 'Understanding the Political Economy of the KRI: The way forward toward better governance', *LSE Middle East Centre Blog*, 24 April 2018. Available at https://blogs.lse.ac.uk/mec/2018/04/24/understanding-the-political-economy-of-the-kri-the-way-forward-toward-better-governance/; Djene Bajalan and Bilal Wahab, 'Escaping the Rentier Model: Reforms in Iraq and the KRI', *Centre for Development and Natural Resources/AUIS*, January 2016. Available at https://auis.edu.krd/sites/default/files/CDNR%20report%202016.pdf; Bilal Wahab, 'Oil Federalism In Iraq: Resource Curse, Patronage Networks, And Stability', PhD dissertation, George Mason University, 2015. Available at http://mars.gmu.edu/handle/1920/9682; Nyaz Najmalddin Noori, 'The failure of economic reform in the Kurdistan region of Iraq (1921–2015): The vicious circle of uncivic traditions, resource curse, and centralization', *British Journal of Middle Eastern Studies* vol. 45, no. 2 (2018); Sardar Aziz, 'The Economic System(s) of the Kurdistan Region of Iraq', in Gulistan Gurbey, Sabine Hofmann and Ferhad Ibrahim Serder (eds), *Between State and Non-State: Politics and Soceity in Kurdistan, Iraq and Palestine* (New York: Palgrave Macmillan, 2017), pp. 103–23; Ari Mamsahe, 'Kurdistan's Democratic Developments Amid a Rentier Oil Economy', in Anwar Anaid and Emel Elif Tugdar (eds), *Iraqi Kurdistan's Statehood Aspirations: A Political Economy Approach* (Zurich: Palgrave Macmillan, 2019), pp. 99–124; Piotr Sonsnowiski, 'Rentier Economy of the Kurdish Region in Iraq as a Source of Barriers for Regional Security Sector Reform', *Security and Defense Quarterly* vol. 23, no. 1 (2019).
[10] Mac Skelton and Zmkan Ali Saleem, 'Iraq's Disputed Internal Boundaries After ISIS: Heterogeneous Actors Vying For Influence', *LSE Middle East Centre Report*, February 2019. Available at http://eprints.lse.ac.uk/100100/; Zmkan Ali Saleem and Mac Skelton, 'Mosul And Basra After The Protests: The Roots Of Government Failure & Popular Discontent', *IRIS Working Paper*, 2019. Available at https://auis.edu.krd/iris/sites/default/files/Saleem%2C%20Skelton%20-%20Oct%202019.pdf

the capacity of the other to maintain its patronage networks. The party always comes first.

This party-based patronage system is partly reliant upon oil, but the recent plummeting of oil revenues does not necessarily pose an existential challenge to its perpetuation. Both parties' networks and structures of patronage are decades old, forcefully administered, and well-equipped to absorb economic shocks. Even with a slashing of salaries between 2014 and 2017 due to a precipitous fall in oil prices, the two sets of patronage networks largely held together. Sources of political finances and funding are diverse, including revenues from border crossings, private businesses and commercial deals. Both the KDP and PUK have cultivated control over their respective areas through patronage from the very inception of the KRG in 1991 – long before oil became a key resource in filling party or government coffers. As the historical section of the paper will show, Iraqi Kurdistan is not best conceptualised through the lens of oil-based rentierism.

In the forthcoming sections, we focus on the structure, funding and evolving operations of two-party patronage. In order to demonstrate the remarkable durability of this system, we show how the revenue sources that enable the distribution of jobs and services have shifted dramatically between 1991 and the present while the core operations of patronage have remained the same. We will also look at how the parties have built not only vast networks of patronage across the population but also well-equipped and well-trained security forces. The paper concludes by providing an assessment of the stability of the KRG in the light of recent regional and national developments.

The Structure of Patronage

Patronage in the KRI is a nearly totalising system divided along party lines. Though the KRG administration is formally unified, in practice the two parties control appointments across the ministries and local governmental bodies. It is almost impossible to obtain a senior post in the government outside the party apparatus and hierarchy.[11] At the top levels, the predominant majority of significant positions within the KRG administrations (e.g., ministers, vice ministers, advisors, director generals) are political appointees of the PUK and the KDP, requiring the blessing of politburo members or other top party officials.[12] Rebeen Fatah, an Erbil-based journalist, noted: 'Payroll has been the primary mechanism

[11] Employment in the public sector has largely depended on one's ability to obtain party recommendation/approval (written letters from PUK/KDP party offices) and wasta (the personal support of a key figure within the two major parties). A recent example is the case of employing 100 people in the KRG's Raparin Administration based on the PUK's recommendation: 'Raparin Administration: Based on Party Recommendation, the PUK Employs 100 people', *KNNC*, 8 February 2019. Available at https://www. knnc.net/Details.aspx?jimare=13512

[12] These top level government officials are selected and appointed by the two parties' leading organs and figures. Individuals are appointed based on their loyalties to the parties and the parties' influential leaders: Interviews with KRI-based journalists, academics, and former members of the Gorran movement, KRI, August 2019–January 2020. See also Kawa Jabary and Anil Hira, 'The Kurdish Mirage: A Success Story In Doubt', *Middle East Policy* vol. XX, no. 2 (2013), pp. 107–8.

through which the ruling elite in the Kurdish region have bought off people's loyalties.'[13] This party loyalty is cultivated both at the individual and group level. A set of high-level appointments may be directed towards buying the allegiances of certain powerful tribes, societal groups and localities.

Employment through one party apparatus or the other amounts to a political gag order. Since the inception of the Kurdish autonomous region in 1991, those who have received their jobs through the PUK and the KDP have been expected to refrain from expressing support for the opposite party, particularly in the security branches and other sensitive institutions such as the airports.[14] After 2003, this gained greater significance with the introduction of regular elections, as each party's network of government employees was expected to vote for its respective patron. When a significant faction of PUK appointees expressed support for Gorran between 2009 and 2013, hundreds were punished by the party leadership. Some were dismissed and others were forcibly moved to other departments.[15] Now that Gorran has essentially been sidelined, the party is symbolically granted a handful of senior positions in the KRG administration. These appointees are given very little leeway and have effectively become absorbed within the KDP and PUK's patronage system.[16]

The two parties also strictly control employment in the party organs and economic firms. The PUK and the KDP own dozens of media organisations, party-affiliated NGOs, youth clubs and companies. It is extremely difficult for any large business to operate without direct partnerships with party companies and proxies.[17] Party members openly admit this. A KDP-affiliated official stated: 'The leadership of the KDP and the PUK paved the way for their close relatives and party members to engage in businesses'.[18] A number of the party-affiliated businesses have become multi-billion dollar operations, generating employment and revenue for party affiliates on a scale that rivals some of the major public sector institutions.[19]

In the construction and transportation industry, both the KDP-controlled KAR company

[13] Interview with Rebeen Fatah, an Erbil-based journalist, Erbil, 25 August 2019.

[14] Jabary and Hira, 'The Kurdish Mirage'.

[15] Interview with a member of the Gorran Movement, Sulaimani, 20 December 2019. Shorsh Haji, a leading figure within the Gorran Movement, stated in May 2019 that the PUK was still practicing political punishment against members of the security forces that support and vote for his movement. Diyar Aziz, 'Gorran: PUK continues in practicing political punishment and we will not hold bilateral meeting with it', *Basnews*, May 2019. Available at http://www.basnews.com/so/babat/518908

[16] Interview with Muhammed Rauf, KRI-based journalist, Sulaimani, 29 May 2020. See also Zmkan Ali Saleem and Mac Skelton, 'Protests and Power: Lessons from Iraqi Kurdistan's Opposition movement', *LSE Middle East Centre Blog*, 10 November 2019. Available at https://blogs.lse.ac.uk/mec/2019/11/10/protests-and-power-lessons-from-iraqi-kurdistans-opposition-movement/

[17] Interview with a KDP government official in Erbil, 20 August 2019.

[18] Interview with Fursat Sofi, a former KDP-affiliated MP and Erbil's current governor, Erbil, 22 August 2019.

[19] Interviews with KRI-based journalists, academics and members of the PUK and the KDP, KRI, August 2019–January 2020.

and the PUK-controlled Qaiwan Group have become enormously profitable firms.[20] Party companies monopolise construction and transportation across the region, and they own large factories (producing cement and iron) and refineries.[21] Sarkawt Shamsaddin, an independent Kurdish MP in Baghdad, claims that Qaiwan and KAR are active in southern Iraq and have signed multi-million dollar contracts with Iraq's federal ministries, such as electricity and oil.[22] In addition to these party-controlled companies, the PUK and the KDP have ensured that nearly all government contracts and projects are awarded to their affiliate firms, particularly in their respective subregional zones.[23]

Importantly, affiliation with one party or another does not mean the owners of the above companies have no freedom to generate revenues towards their own personal wealth. On the contrary, a key part of the incentive structure ensuring the durability of the marriage between party and private sector is the promise of personal enrichment. The top leadership of such companies are granted space to reap rewards for themselves *and* the party.[24]

Another pillar of the patronage system is the targeted provision of services and employment across the population. In the years following the 2003 invasion, improvements in services largely benefited core areas of party support.[25] This favouritism[26] led to protests in Halabja in 2006[27] and then across the Kurdistan region in 2011.[28] To contain the popular discontent, both parties made joint efforts to allocate greater resources towards infrastructure (such as roads, overpasses, bridges, schools and hospitals); housing and marriage mortgages; scholarships for studying abroad; water and electricity; increased salaries and lands for state employees,[29] and job opportunities in the civilian institutions of the KRG.[30]

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[20] Sarkawt Shamsaddin, 'What do the PUK and KDP want from Baghdad?', *Speemedia*, 20 May 2020. Available at http://www.speemedia.com/drejaWtar.aspx?NusarID=572&Jmare=7158

[21] The KRI has two relatively large refineries. Kalak is operated by KAR Group and has a capacity of 100,000 bpd with a near-term planned increase to 185,000 bpd by 2018. Bazian is operated by Qaiwan Group and has a capacity of 34,000 bpd with plans to increase to 100,000 bpd by 2018. Robin Mills, 'Under the Mountains: Kurdish Oil and Regional Politics', *The Oxford Institute for Energy Studies*, January 2016, p. 24. Available at https://www.oxfordenergy.org/wpcms/wp-content/uploads/2016/02/Kurdish-Oil-and-Regional-Politics-WPM-63.pdf

[22] Shamsaddin, 'What do the PUK and KDP want from Baghdad?'.

[23] Interview with an Erbil-based academic, Erbil, 17 July 2019.

[24] Interviews with KRI-based businessmen, KRI, August 2019–January 2020.

[25] Andrea Fischer-Tahir, 'Representation of Peripheral Space in Iraqi Kurdistan', *Études rurales* [*Enligne*] no. 186 (2013), pp. 117–32.

[26] Lydia Khalil, 'Stability in Iraqi Kurdistan: Reality Or Mirage?', *The Saban Centre for Middle East Policy at The Brookings Institution*, June 2009. Available at https://www.brookings.edu/wp-content/uploads/2016/06/06_kurdistan_khalil.pdf

[27] 'Halabja Protests Turns Violent', *Institute for War & Peace Reporting*, 20 March 2006. Available at https://iwpr.net/global-voices/halabja-protest-turns-violent

[28] Zanko Ahmed, 'Iraqi Kurdistan: 2011, a year of demonstration and political debate', *Niqash*, 20 December 2011. Available at https://www.niqash.org/en/articles/politics/2962/

[29] Denise Natali, 'Iraqi Kurdistan's Silent Revolution', *Al-Monitor*, 16 August 2013. Available at https://www.al-monitor.com/pulse/originals/2013/08/iraqi-kurdistan-silent-revolution-barzani.html

[30] Interview with Muhammed Rauf, KRI-based journalist, Sulaimani, 29 May 2020.

The Funding of Patronage

How are these networks of patronage funded? In addition to revenues from border crossings, party-run businesses, and commercial deals, at present the vast extension of services and employment across the population relies heavily on oil revenues.[31] Not only has the region received billions from the annual Baghdad allocation to the KRG,[32] the leadership of the two parties has also aggressively developed production independent of the federal government.[33] Independent oil exploration and production requires a degree of collusion and cooperation between the two parties under the banner of the KRG Ministry of Natural Resources. However tenuous and fragile this cooperation may be, both parties are mutually invested in the success of local oil production, and thus the sector is usually a source of stability between the two and their respective subregions.

This policy of independent oil production has been pursued despite strong opposition from successive federal administrations in Baghdad for two primary reasons: first, local production was justified on the basis of guaranteeing regional economic survival in the event that Baghdad decided again to marginalise the Kurds.[34] The KDP and the PUK sought to demonstrate to the Kurdish community that they, and not the federal government, provided salaries and funds for development. The oil and gas sector itself became a major generator of employment. The PUK and the KDP monopolised businesses around the sector, granting security and service provision jobs to party-affiliated companies and/or entities acting as proxies for the parties. Employees working in the KRG oil sector were vetted by the security agencies of the two parties, ensuring that party members and affiliates obtained jobs and benefits from the sector.[35]

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[31] The most recent data on the KRG's payroll numbers shows that the government has 1,255,273 employees of which 752,959 (60%) are on duty and 502,346 (40%) are retired. Available at http://drawmedia.net/page_detail?smart-id=5991

[32] Denise Natali, 'The Kurdistan Region of Iraq: Stabilizer or Spoiler?', *Georgetown Journal of International Affairs* vol. 14, no. 2 (2013), p. 73; Ahmed Tabaqchali, 'The debate over Iraqi Kurdistan's share of the federal budget', *Al-Bayan Centre for Planning and Studies*, 2019, p. 7. Available at http://www.bayancenter.org/en/wp-content/uploads/2019/06/9876544.pdf

[33] Mills, 'Under the Mountains'; John Roberts, 'Iraqi Kurdistan Oil And Gas Outlook', *Atlantic Council/Global Energy Centre and Dinu Patriciu Eurasia Centre*, September 2016. Available at https://www.atlanticcouncil.org/in-depth-research-reports/report/iraqi-kurdistan-oil-and-gas-outlook/; International Crisis Group, 'Oil For Soil: Toward A Grand Bargain On Iraq And The Kurds', *Middle East Report* no. 80 (October 2008). Available at https://www.cia.gov/library/abbottabad-compound/01/0170B88601AA571A-56580F04A4D0CB22_80_oil_for_soil___toward_a_grand_bargain_on_iraq_and_the_kurds.pdf; Yaniv Voller, 'Kurdish Oil Politics in Iraq: Contested Sovereignty And Unilateralism', *Middle East Policy* vol. XX, no. 1 (2013).

[34] International Crisis Group, 'Oil For Soil', pp. 23–4.

[35] Interview with a political science professor at Salahaddin University, Erbil, 25 July 2019.

Second, the off-the-books nature of local production[36] served to conceal the overall revenues of the parties. Only a few key people, including Ashti Hawrami, Nechervan Barzani, Masrour and Masoud Barzani have full knowledge around the details of the oil production and revenues.[37] Sherko Jawdat, a Kurdish MP affiliated with the Islamic Union party, contends that the KRG and its Ministry of Natural Resources (MNR) have so far refused to provide the Kurdish parliament with clear information about the region's oil sales and revenues.[38]

The parties' current reliance upon oil revenues to fund patronage networks and therefore buy the support of the population would appear to indicate a rentier state structure.[39] However, the sources of revenue in the Kurdistan Region have not been consistent over time. And yet, the region has witnessed a remarkable level of continuity in the structure, logic, and operations of patronage. The following section will interrogate the nexus between patronage and revenue, arguing that the two-party apparatus has effectively ensured the survival of the system by continually expanding into new sources of income. Oil is important as a revenue source; however, it cannot be said that oil uniquely structures the system. The two parties manage to perpetuate patronage regardless of the sources of revenue streams.

Patronage beyond Oil: Revenues between 1991 and the Present

This patronage system emerged at the very inception of Iraqi Kurdistan as an autonomous region. While both the KDP and PUK had been in existence as active political parties with separate military forces for decades, the 1991 establishment of a no-fly zone and an autonomous Kurdish region provided the opportunity to establish formal structures of governance and security over the population.

1991–6: Revenues from Smuggling and Border Crossings

The governing institutions that soon took shape in 1992 (e.g., the Kurdish National Assembly, the Council of Ministers and the judiciary system) were never given space to become independent of the party apparatuses. All major decisions were made by top party members while the various governmental bodies operated as rubber stamps for imple-

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36 Patrick Osgood, 'Selective Transparency: Things You Can't See About KRG Oil', *LSE Middle East Centre Blog*, 25 April 2018. Available at https://blogs.lse.ac.uk/mec/2018/04/25/selective-transparency-things-you-cant-see-about-krg-oil/

37 Interview with Sherko Jawdat, an MP affiliated with the Islamic Union party, Sulaimani, 29 December 2019.

38 Ibid.

39 A rentier state is typically defined as a state that gains a 'substantial portion of its income from external sources, most generally from the sales of resources such as oil and gas'. Donald L. Losman, 'The Rentier State And National Companies: An Economic And Political Perspective', *Middle East Journal* vol. 64, no. 3 (2010), p. 428. Available at https://www.jstor.org/stable/pdf/40783108.pdf

menting KDP and PUK agendas.[40] The structure of the government reflected the structure of the two parties. As we described in a previous report, a quota-based system (party *muhassasa*) distributed posts between the two parties' faithful.[41] If a ministerial position was granted to a KDP affiliate, a PUK member was assigned as his deputy, and vice versa.[42]

All positions operated according to this logic. As David McDowall stated: 'The parallel administration reached down to police in the streets and teachers in schools.'[43] Accordingly, residents of the Kurdish Region had no choice but to join one of the parties. McDowall added: 'Joining one of the parties became an essential prerequisite to advancement – nepotism was disastrously entrenched in the fledging administration undermining any chance of democratic institutional growth.'[44] With the establishment of the new government, two-party patronage was born.

At this juncture, these nascent patronage networks were primarily reliant on revenues from smuggling and border crossings. During the 1990s, the region became a major transit and smuggling route, with numerous products including oil from the provinces under the former Ba'ath regime passing through Erbil and Dohuk towards Turkey, and vice versa.[45] While these revenues were significant, the patronage system quickly broke down due to scarcity. Cut off from Baghdad's budget and under international sanctions, neither party had the funds to deliver essential services and provide large numbers of government jobs.[46] In this context, the PUK sensed an imbalance, alleging that that the KDP was not disclosing all revenues, particularly from the border crossing with Turkey.[47] PUK forces then waged war, removing the KDP from Erbil in 1995 and asserting military dominance over the extended region.[48] The Kurdish civil war (1994–6) was at its root a conflict over the revenues undergirding patronage. And this fierce conflict transpired long before oil production became central to the region's economic life.

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[40] Michiel Leezenberg, 'Politics, Economy, and Ideology in Iraqi Kurdistan since 2003: Enduring Trends and Novel Challenges', *Arab Studies Journal* vol. 23, no. 1 (2015), pp. 157–9.

[41] Zmkan Ali Saleem and Mac Skelton, 'The Kurdish Duopoly: The Political Economy of Two-Party Rule', *LSE Middle East Centre Blog*, 28 August 2019. Available at https://blogs.lse.ac.uk/mec/2019/08/28/the-kurdish-duopoly-the-political-economy-of-two-party-rule/

[42] Gareth R. V. Stansfield, *Iraqi Kurdistan: Political Development and Emerging Democracy* (London & New York: Routledge/Curzon, 2003), p. 146

[43] David McDowall, *A Modern History Of The Kurds* (London & New York: I.B. Tauris, 2004) p. 386.

[44] Ibid.

[45] Michiel Leezenberg, 'Iraqi Kurdistan: Contours of a post-civil war society', *Third World Quarterly* vol. 26, no. 4–5 (2005), pp. 631–47

[46] John Robert, 'The Kurdish Crisis of 1996', *IRBU Boundary and Security Bulletin*, Autumn 1996, pp. 70–5.

[47] Saleem and Skelton, 'The Kurdish Duopoly'.

[48] Ibid.

When the KDP was finally able to regain control of Erbil with the help of Saddam's forces in 1996,[49] two different governments emerged – one in Sulaimani and another in Erbil.[50] The political configuration would remain up through the invasion of 2003. Despite the fact that neither government was capable of ensuring reliable services to the populace, their popularity was not meaningfully threatened. Extreme poverty gave Kurds no choice but to latch onto one of the two major political parties – the only institutions in the region with any measure of consolidated resources.[51] This was a patronage system founded upon a relationship based on deprivation.

1996–2003: International Aid and the Oil For Food Program (OFFP)

Between 1996 and 2003, the Kurdish region benefited from both international aid, distributed through international non-governmental organisations[52] and the OFFP, which injected money and resources into the region and both parties. (The KRG received 13 percent of the total budget.)[53] The implementation of the programme was controlled by the UN but it benefited the PUK and the KDP through the profitable contracts for local distribution and infrastructure projects that were involved with implementing the programme.[54] As Michiel Leezenberg observed, '[t]hrough the new contracting business the two parties further consolidated their positions in the territories under their military control, even though the allocation of resources was not strictly in their hands but in those of the UN officials and even the Iraqi regime.'[55]

The region witnessed gradual stabilisation. The incentives for business outweighed whatever gains could be obtained through violence. The two parties extended their patronage networks, even directing salaries and resources to nascent opposition groups.[56] The groundwork was now laid for the two parties to receive and administer the enormous influx of cash that would come with the 2003 invasion.

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[49]   Richard Parry and John Lichfield, 'Saddam attack leads to Arbil bloodbath', *The Independent*, 3 September 1996. Available at https://www.independent.co.uk/news/world/saddam-attack-leads-to-arbil-bloodbath-1361551.html

[50] Stansfield, *Iraqi Kurdistan*, p. 155.

[51] Leezenberg, 'Iraqi Kurdistan', p. 640.

[52]   Michiel Leezenberg, 'Humanitarian Aid in Iraqi Kurdistan', *Cahiers d'études sur la Méditerranée orientale et le monde turco-iranien | Fondation nationale des science politiques, Centre d'études et de recherches internationales*, January 2000. Available at https://www.researchgate.net/publication/30445358_Humanitarian_Aid_in_Iraqi_Kurdistan

[53] Stansfield, *Iraqi Kurdistan*, p. 55.

[54]   Yaniv Voller, 'From Rebellion to de facto Statehood: International and transnational sources of the transformation of the Kurdish national liberation movement in Iraq into the Kurdistan Regional Government', PhD thesis, LSE, 2012, p. 173. Available at http://etheses.lse.ac.uk/474/1/Voller_From%20rebellion%20to%20de%20facto%20statehood.pdf

[55] Leezenberg, 'Iraqi Kurdistan', p. 639.

[56] Ibid.

2003–14: External Support, Federal Petrodollars and Local Oil Production

In 2003, the Kurdish region witnessed considerable injection of external support provided by the Coalition Provisional Authority (CPA) from US aid and Iraq's oil revenues. This went directly to the PUK and the KDP-controlled administrations in the Kurdish region (in contrast to the previous practices of INGOs, the UN and foreign governments which refrained from directly working with the KRG).[57] The 2005 constitution cemented this economic relationship between centre and periphery, with the Kurdish region receiving 17 percent of the total federal oil revenues.[58] The display of Kurdish unity during this period must be understood through the prism of the emerging post-2003 distribution of resources.[59]

Cooperation between the two parties was also necessary in the joint pursuit of local oil production. Gradually, however, this move tipped the balance of power in favor of the KDP. In 2006, the PUK and the KDP agreed to create a unified ministry that would control the oil sector across the region. The ministry ultimately came under the control of the KDP, particularly in the hands of Nechirvan Barzani and his Minister of Natural Resources Ashti Hawrami – considered the mastermind of the KRG's oil policy.[60] The KDP has historically enjoyed closer security/economic cooperation with Turkey, allowing the KRG to export oil across the border independent of Baghdad, particularly after the completion of the KRG-Ceyhan pipeline.[61] The PUK begrudgingly ceded this ground in exchange for an even split of the revenues. Not only did this arrangement place the entire technical apparatus of the oil industry in the KDP's hands, it also enabled the Barzanis to make essentially unilateral decisions around oil sales and exports without PUK input.[62]

2014–Present: Turmoil in Revenue Sources and Distribution

The oil revenue crisis of 2014 placed unprecedented stress on the Kurdish political-economic order. With the KRG-Turkey pipeline finally completed in 2013, the KDP quickly moved to initiate exports to Turkey,[63] justifying its actions in the vagueness of constitutional frameworks around regionalism and oil. Iraqi Prime Minister Nouri al-Maliki's response was swift, cutting the region off from its 17 percent allotment of federal reve-

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[57] Denise Natali, *The Kurdish Quasi State* (Syracuse, NY: Syracuse University Press, 2010), pp. 81–2.

[58] Ibid.

[59] Jude, 'Contesting Borders?', p. 849.

[60] Carlo Frappi, 'The Energy Factor: Oil and State building in Iraqi Kurdistan', in Stefano M. Torelli (ed.), *Kurdistan: An Invisible Nation* (Milan: ISPI, 2016), pp. 91–120, p. 101.

[61] Mohammed A. Salih, 'Low Oil Prices Complicate Iraqi Kurdish Independence', *Middle East Institute*, March 2016. Available at https://www.mei.edu/publications/low-oil-prices-complicate-iraqi-kurdish-independence

[62] Interview with Sherko Jawdat, an MP affiliated with the Islamic Union party, Sulaimani, 29 December 2019.

[63] Volkan Ozdemir and Slawomir Raszewski, 'State And Substate Oil Trade: The Turkey-KRG Deal', *Middle East Policy* vol. XXIII, no. 1 (Spring 2016).

nues.[64] Simultaneously, an abrupt drop in global petroleum prices slashed the anticipated earnings from oil exports. By 2015, the KRG was unable to pay salaries. By April of the same year, the region was \$17 billion in debt, forcing the government to borrow massively.[65] The revenue from Baghdad had accounted for 80 percent of the KRG's budget.[66] The disastrous fallout of the independence referendum further threatened revenue sources. Some analysts speculated that the duopoly would not survive these pressures.[67]

These judgments were understandable, but premature. As in the period of scarcity during the 1990s, the two parties remained the only game in town. No other political entity was capable of extending contracts, benefits and cash. In addition to considerable pressure from the international community, the election of May 2018 created incentives for Iraqi Prime Minister Haider al-Abadi to restore the salaries of KRG employees in the hopes of entering the vote with all major crises settled.[68] With the money flowing again, both parties regrouped and reinjected new funds into patronage networks.[69] Ultimately the parties proved stronger than the revenue sources upon which they rely.

No matter how large the disparity in revenues, neither party can ultimately annihilate the other. This is largely due to the two parties' separate control of security forces over distinct territorial areas. Even with the PUK in a relatively weak position at present, the KDP forces cannot enter PUK areas without permission, and vice versa. Importantly, the military and security forces of the two parties both protect the key revenues sources flowing into patronage networks (e.g., mobilising around oil and gas fields) and generate patronage networks of their own through the mass extension of well-compensated employment. And thus the patronage system in Kurdistan cannot adequately be understood without a close examination of the two parties' peshmerga armed forces and other security branches.

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[64] Mark DeWeaver, 'Kurdistan's Great Recession: From Boom to Bust in the Rentier Economy', *IRIS Report*, 1 December 2015. Available at http://www.iraq-jccme.jp/pdf/archives/kurdistans-great-recession-0308.pdf

[65] Mills, 'Under the Mountains'.

[66] Ibid.

[67] Erica Solomon, 'Iraqi Kurdistan Faces Economic Fallout From Independence Vote', *Financial Times*, 28 September 2017. Available at https://www.ft.com/content/0d592a0a-a388-11e7-9e4f-7f5e6a7c98a2; 'Kurdistan Region's Debt Crisis Threatens Iraq's Economy', *USIP*, 9 May 2018. Available at https://www.usip.org/publications/2018/05/kurdistan-regions-debt-crisis-threatens-iraqs-economy

[68] Saleem and Skelton, 'The Kurdish Duopoly'.

[69] Ibid.

Patronage in the Security Branches

With the emergence of the semi-autonomous Kurdish region in 1991 came the need to formalise local government institutions, including those related to security. The Ministry of Peshmerga was formalised in 1992 after the region's first elections.[70] All the PUK and KDP militia groups who had been fighting the Iraqi government were now placed under the formal jurisdiction of the ministry. But quickly it became apparent that this ministry had little control over the various PUK and KDP-backed militias, each of which followed party leaders and party commanders rather than the ministry leadership.[71] As a reflection of this impotency, the ministry was soon disbanded with the outbreak of the Kurdish Civil War in 1994. This caused the deaths of 3,000 to 5,000 fighters and civilians and the further deprivation of a population starved by the UN sanctions period.[72] The dissolution of the ministry was effectively sealed following the war when both parties – who remained bitterly divided – established entirely separate ministries of peshmerga with corresponding training facilities and bases. Thereafter, the peshmergas of the PUK and the KDP were trained, paid and equipped by their own parties.[73] The two peshmergas operated as separate forces and, consequently, separate patronage networks. Soldiers looked to their parties for salaries, provisions and orders.

In the years following the 2003 invasion, unification of the two forces transpired in name only. To date, the routes of entry into the security forces – and particularly the officer ranks – are mediated through party channels.[74] Commanders accept new recruits based on written recommendations of party functionaries at the branch level, and thus the recruit owes his job and salary both to the political and military wings of the party.[75] Maintaining fighters' loyalty simultaneously to the commander and the party is key to securing the popular electoral base. Thousands of peshmerga and security forces vote for their respective parties during regional and national elections.[76] The size and political significance of this population of soldiers cannot be underestimated. Prior to 1991, the numbers of the peshmerga under the control of the PUK and the KDP did not exceed 15,000 to 25,000

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[70] Dennis P. Champan, 'Security Forces Of The Kurdistan Regional Government', *USA WC Civilian Research Project*, 2009, pp. 98–9. Available at https://apps.dtic.mil/dtic/tr/fulltext/u2/a510826.pdf

[71] Wladimir Van Wilgenburg and Mario Fumerton, 'Kurdistan's Political Armies: The Challenge Of Unifying The Peshmerga Forces', *Carnegie Middle East Center*, 16 December 2015. Available at https://carnegieendowment.org/2015/12/16/kurdistan-s-political-armies-challenge-of-unifying-peshmerga-forces-pub-61917

[72] Champan,'Security Forces Of The Kurdistan Regional Government', p. 99.

[73] Interviews with advisors at the Ministry of Peshmerga, Sulaimani/Erbil, August–December 2019.

[74] Dana Taib Menmi, 'Peshmerga unity depends on healing political divisions', *Al-Monitor*, 3 December 2019. Available at https://www.al-monitor.com/pulse/originals/2019/12/iraq-protests-peshmerga-kurdistan.html

[75] Interviews with officials within the Ministry of Peshmerga, Erbil/Sulaimani, August– December 2019.

[76] Interview with Mahmood Haji Omer, a former MP working on peshmerga affairs at the Kurdish parliament, Sulaimani, 20 December 2019.

fighters respectively.[77] Now, however, the KDP is in control of approximately 100,000 peshmerga while the PUK is in control of 90–95,000, and even this huge number excludes the numerous other security formations.[78]

The levels of control over individual soldiers remain in place over the course of one's career. The Ministry of Peshmerga distributes salaries to the PUK and the KDP forces based on numbers and lists provided by local commanders. This reporting system grants the commanders, and therefore the parties, with enormous leverage over their fighters.[79] Rank and file soldiers and officers within the peshmerga are well-paid and are often entitled to other privileges, including allocation of lands and access to party resources.[80] The continuation of such rewards is conditional. In some cases, a failure to vote for the PUK or KDP in elections has resulted in a cessation of salaries, the outright loss of one's job or transfer to an undesirable unit. This fate befell many peshmerga who voted for the Gorran party,[81] but has transpired less often now that Gorran has become co-opted within the two party system.[82]

Placing salary distribution in the hands of field commanders presents a potential danger to overall party discipline as it creates a strong patronage relationship between the commander and the soldier, and gives these commanders access to the means for personal enrichment through party resources. Indeed, commanders have reported exaggerated numbers of the forces under their control.[83] A commander might have 200 soldiers but report almost triple that number to the ministry, which in turn distributes salaries to the unit based on the commander's report. Fursta Sofi, previously an MP but now the governor of Erbil, stated: 'One of the most serious corruption issue we face is the problem of ghost employees, particularly in the armed forces. This is difficult to solve because of the nature of the security institutions. Hundreds of military ranks were given out and salaries were increased purely based on nepotism and party affiliation.'[84]

Further, both the PUK and KDP rewarded thousands of their members and supporters with government salaries by registering them as retired military staff members, even though some of these have never served in the Peshmerga and military forces. Abu Bakri

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[77] Champan, 'Security Forces Of The Kurdistan Regional Government'.

[78] Phone interview with Qadir Watman, a former MP working in the Kurdish parliament's Peshmerga Affairs Committee, 15 October 2019.

[79] Interview with Mahmood Haji Omer, a former MP working on peshmerga affairs at the Kurdish parliament, Sulaimani, 20 December 2019. See also Verena Gruber, 'Revisiting Civil-Military-Relations Theory: The Case of the Kurdistan Regional Government of Iraq', *Small Wars Journal*, 2015. Available at: https://smallwarsjournal.com/jrnl/art/revisiting-civil-military-relations-theory-the-case-of-the-kurdistan-regional-government-of

[80] Interview with Mahmood Haji Omer, a former MP working on peshmerga affairs at the Kurdish parliament.

[81] Ibid.

[82] Zmkan Ali Saleem and Mac Skelton, 'Protest and Power: Lessons from Iraqi Kurdistan's Opposition Movement', *LSE Middle East Centre Blog*, 10 November 2019. Available at https://blogs.lse.ac.uk/mec/2019/11/10/protests-and-power-lessons-from-iraqi-kurdistans-opposition-movement/

[83] Gruber, 'Revisiting Civil-Military-Relations Theory'.

[84] Interview with Fursat Sofi, an MP when interviewed but now Erbil's governor, Erbil, 22 August 2019.

Haladni, a Kurdish MP, asserted: '150,000 people receive military retirement salaries, and some have been retired with high military ranks, and so they receive large salaries. But there were never any more than 10,000 active peshmergas at the height of our campaigns against the former regime, so it doesn't add up.'[85] While this problem is widely recognised by both parties, attempts towards reform could prove very difficult. Commanders insist that any such reforms would inhibit their ability to maintain control over their forces.[86]And the top party leaders ultimately stand to gain from the layered patronage system, as the looseness of the distribution mechanism provides ample opportunity for kickbacks both down and up the hierarchy.

In the end, both commanders and foot soldiers know that their access to salaries and privileges is dependent upon their continued loyalty to the party apparatus. This is not to say that notions of Kurdish nationalism or protection of the homeland are irrelevant in motivating mobilisation. But such ideological and discursive factors have too often been overemphasised in relation to the peshmerga. Ultimately the fact remains that security jobs are among the most stable and high-paying available in the Kurdish region, and there is no means of accessing these posts without tethering one's career to both the political and military wings of the KDP or PUK.

Looking Ahead: Assessing Stability in Iraqi Kurdistan

The stability of the KRG largely depends on continuing co-operation between the PUK and the KDP. The fact that the two parties share power and resources through the KRG administration has encouraged relative stability in the Kurdish region as a whole. But the recent change in the PUK leadership has put greater pressure on the informal elite pact between the two parties. The PUK's January 2020 party conference settled the controversy over who would fill the position of the party's top leader after the death of Jalal Talabani in 2017, resulting in Bafel Talabani and Lahur Sheikh Jangi becoming the co-leaders.[87] The two figures are believed to have successfully brought the PUK's key organs, security forces and finances under their control.[88]

The KDP views the internal shifting balance of power within the PUK with great concern and the party has so far refused to meet the co-leaders of the PUK.[89] Masoud and Masrour Barzani, the top leaders of the KDP, are deeply distrustful of Bafel and Lahur and previously accused them of treason for allegedly striking a deal with the Iraqi government to

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[85] 'Haladni: 30,000 women have been retired with military ranks', *Bmctv.net*, 1 March 2020. Available at https://www.bmctv.net/Detail.aspx?jimare=9981

[86] Gruber, 'Revisiting Civil-Military-Relations Theory'.

[87] 'Bafel Talabani and Lahur Sheikh Jangi elected as PUK's co-leaders', *Nasnews.com*, 18 February 2020. Available at https://nasnews.com/kurd/view.php?cat=9487

[88] Phone interview with a Sulaimani-based political observer.

[89] Rebwar Kareem Walli, 'KDP on the back of the PUK, and the latter on the back of fish', *Rudaw*, 10 February 2020. Available at https://www.rudaw.net/sorani/opinion/10022020

withdraw PUK forces in Kirkuk after the Kurdish referendum of September 2017.[90]

Despite the fact that the PUK is formally part of the coalition government in Erbil, in reality the co-leaders of the PUK are uneasy with the KDP's dominance in the Kurdish region. The PUK has publicly criticised the KDP for not honouring its agreement in 'distributing government positions and levers of power'.[91] But the PUK has limited resources and capacity at their disposal to exert pressure on the Erbil-based party. Starting in 2012 with Jalal Talabani's illness and removal from the political scene, the PUK lost much of its cohesiveness due to internal rivalry and defections.[92] The PUK's series of strategic miscalculations allowed the internally coherent KDP to further consolidate its control of the KRG, strengthening dominance over the oil and gas infrastructure and funds from Baghdad.

Recent political and security events need to be understood in this context. In April 2020, for the first time since the end of the civil war in 1998, the Kurdish region witnessed a military standoff between peshmerga forces controlled by the PUK and the KDP at Zini Warte, an area located at the demarcation line that separates the military zones of PUK-KDP control near Erbil.[93] The KRG's Prime Minister Masrour Barzani ordered forces from the Ministry of Peshmerga's shared PUK/KDP brigades to Zini Warte, ostensibly to enforce the COVID-19-related lockdown in the area. The PUK saw the action as a KDP encroachment to what the party called a part of the 'PUK's traditional areas of military control' and responded by sending their peshmerga forces.[94] Given the tensions between the powerful factions within the two parties, such a military standoff could pose serious threats to the stability of the region.

The Sulaimani governorate's recent demands for greater financial and administrative powers from the Erbil-based KRG has raised the prospect of decentralisation *within* the KRG. Lack of or slow infrastructure development in Sulaimani compared to Erbil has lowered the PUK's popular appeal. Supporters of decentralisation argue that Sulaimani could ensure greater access to revenues from oil and gas production and international border crossings.[95] These calls for decentralisation have also been encouraged by PUK's co-leaders as a way of challenging the KDP's dominance over the KRG's government institutions and revenues.[96] The KDP leadership argues that demands for decentralisation reflects the desire of 'certain

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[90] Hemin Salih, 'After October 16, Kirkuk's security, politics and economy are under threat', *Basnews.com*, 16 October 2018. Available at http://www.basnews.com/so/babat/473267

[91] 'PUK spokesperson's press conference', *KNN*, May 2019. Available at https://www.youtube.com/watch?v=zAaP5v8eweM

[92] Mohammed Salih, 'The New Politics of Iraqi Kurdistan', *Washington Institute*, 16 August 2020. Available at https://www.washingtoninstitute.org/fikraforum/view/the-new-politics-of-iraqi-kurdistan

[93] 'KDP's Masrour Barzani, PUK exchange criticisms, blame over Zini Warte tensions', *Ekurd.net*, 18 April 2020. Available at https://ekurd.net/kdps-masrour-barzani-puk-2020-04-18

[94] Dri, 'What is behind the armed Kurdish party standoff in Zini Warte?'.

[95] Karwan Faidhi Dri, 'As financial crisis looms, Sulaimani renews call for devolution', *Rudaw*, 1 May 2020. Available at https://www.rudaw.net/english/kurdistan/010520201

[96] 'PUK leadership releases a statement', *Xendan.org*, 5 May 2020. Available at https://www.xendan.org/detailnews.aspx?jimare=99352&babet=1&relat=1024

figures' within the PUK (clearly referring to the PUK's co-leaders) who seek to break up the KRG and return to the days of two separate administrations in the Kurdish region.[97]

Overt clashes over oil revenues are on the rise. In March 2017, the PUK sent security forces to occupy Kirkuk's northern oil company and disrupt production at two oilfields under the control of the KDP.[98] In February 2020, competition over the distribution of liquefied petroleum gas contracts resulted in a shortage of gas in Erbil and Duhok.[99] The crisis emerged when the KDP-controlled Ministry of Natural Resources decided to terminate a contract with a PUK-affiliated company around Kor Mor gas field in Sulaimani. Both parties publicly exchanged harsh accusations and blame for the resulting shortages.[100]

Potentially exacerbating PUK/KDP tensions further, the KRG is currently facing its worst financial crisis since 2003, which has been caused by plummeting oil prices (related to COVID-19) and Baghdad's recent decision to stop sending the KRG its share of the federal budget. The KRG will struggle to pay employees' salaries. Protests have already taken place in the city of Duhok,[101] one of the KDP's main support bases. It is likely that the KRG will reach a new budget sharing agreement with Baghdad based on ongoing negotiations with Mustafa al-Kadhimi's government. But no matter how the negotiations turn out, the KRG, and by extension the KDP and PUK, will face huge budget shortfalls.

How reduced salaries and the budget will impact PUK/KDP relations remains to be seen. In the post-2003 era, the economic benefits of maintaining a veneer of Kurdish political unity (in negotiations with the international community and Baghdad) have far outweighed the potential gains that could be made through a return to violent inter-party conflict. This collusion between the two parties, however fraught, has significantly contributed to the overall stability of the Kurdish region between 2003 and the present. But rising inter-party tensions are a reminder that cooperation between the KDP and PUK is not to be taken for granted. As long as the party-based patronage system remains firmly in place, the interests of each individual party will ultimately come before that of the region as a whole, meaning that conflict always remains a possibility. The recent military standoff in Zini Warte may not be the last such incident.

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[97] 'KDP MP: they want to use political mechanism to continue the path of October 2017 treason', *Basnews.com*, 5 May 2020. Available at http://www.basnews.com/so/babat/601518

[98] 'Kurdish forces occupy oil facility in Kirkuk, provoking Iraqi government', *Middle East Eye*, 2 March 2017. Available at https://www.middleeasteye.net/news/kurdish-forces-occupy-oil-facility-kirkuk-provoking-iraqi-government

[99] Dri, 'As financial crisis looms, Sulaimani renews call for devolution'.

[100] 'Gas crisis in Erbil: KDP can't provide services for the population, PUK official says', *Ekurd.net*, 4 February 2020. Available at https://ekurd.net/gas-crisis-in-erbil-kdp-2020-02-04

[101] Belkis Wille, 'Kurdish Authorities Clamp Down Ahead of Protests', *Human Rights Watch*, 19 May 2020. Available at https://www.hrw.org/news/2020/05/19/kurdish-authorities-clamp-down-ahead-protests

Policy Implications and Recommendations

A robust long-term governance strategy – formulated and executed with international oversight – is required to reduce the dominance of party-based patronage. Some analysts have argued that the recent drops in oil revenue related to COVID-19 will place unique pressure on the KRG to implement economic and anti-corruption reforms,[102] but this outlook is ahistorical. Previous dips in oil prices and overall economic scarcity have never succeeded in shifting the structural dominance of party-based patronage in Iraqi Kurdistan. When scarcity becomes acute and the flow of cash into the patronage system stalls, the parties have generally been capable of weathering the storm, as both rank and file employees and people in senior posts know that ultimately the KDP and PUK are the only game in town in terms of access to jobs and resources. In short, drops in oil prices do not change the rules of the game. Iraqi Kurdistan is not best understood through the lens of oil-based rentierism. When one looks to the historical development of patronage in the Kurdish region, one finds that the sources of revenue have not been consistent over time. And yet, the region has witnessed a remarkable level of continuity in the structure, logic and operations of patronage.

In sum, economic upheaval will *not* naturally lead to meaningful reforms in the absence of significant diplomatic pressure. The international community has the most potential leverage over the Kurdish parties due to decades of consistent financial and diplomatic support. As locals often say, however, this support has too often been granted 'for free' – i.e. without sufficient conditionality. In light of this leverage, the following measures are recommended to the international community:

(1) Encourage transparency in key financial and resource institutions

Lack of transparency in revenues from oil sales, local taxation, and border crossings is feeding PUK/KDP patronage networks and eroding popular trust in the KRG. Accountability and transparency are particularly important for the ministries of finance and natural resources. Similarly, introducing robust independent oversight at the KRG-controlled border crossings and other key points of state revenue generation would improve public confidence in government.

(2) Understand that both the public and private sectors are implicated in the patronage system

So much of the US/UK/EU economic doctrine in relation to Kurdistan specifically and Iraq generally has focused on the importance of diversifying the economy and expanding the private sector, moving emphasis away from the bloated public sector. This paper has shown that two-party patronage is deeply intertwined with the private sector through party-controlled firms as well as rents. Pushing diversification without

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[102] Biner Azis, 'Emerging Risks and Reforms: The KRG's Challenges in Building a Post-Coronavirus Economy', *Washington Institute*, 2020. Available at https://www.washingtoninstitute.org/fikraforum/view/KRG-KRI-Economy-Corruption-Reforms-COVID19

addressing corruption in the private sector will ultimately only serve to fill party coffers. The international community should work with the KRG to set a long-term business environment and anti-corruption strategy, creating operational and investment space for companies not owned or influenced by the parties.

(3) Encourage public sector salary reform initiatives currently underway

Recently the Kurdish parliament approved a reform package that aims to address the issue of ghost employees in the security and civilian institutions.[103] Some have already cast doubt on the potential for widespread implementation (beyond superficial window dressing) because these reforms would target the two parties' patronage networks. Members of the international community should encourage these steps, applying pressure to ensure that the removal of ghost employees is carried out comprehensively and not according to party quotas.

(4) Reconsider the status quo approach to support for Kurdish security forces

It is time for the US, UK, Germany and France to apply greater pressure on the PUK/KDP to loosen financial and tactical control over the Peshmerga as well as the security forces controlled by the Ministry of Interior, introducing a comprehensive package of reforms that eliminate party-controlled approvals of new recruits and meaningfully place both recruitment and operational command under the KRG Ministries of Peshmerga and Interior. This package of reforms must be coupled with close oversight from the international community.

(5) Work with and empower civil society organisations and independent media

Currently, the two dominant parties own and control the largest media outlets and NGOs. The PUK and the KDP have been able to co-opt independent journalists and civil society organisations and have thus secured an environment where they face very little criticism. This dynamic is not encouraging accountability and transparency in the region, and has been detrimental to the Kurdish region's democratic development. Providing greater assistance to independent media and civil society organisations could ensure that the ever-narrowing space for free expression – and criticism of the two-party patronage system – is protected.

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[103] Mohammed Rauf and Fazil Hama-Rafa'at, 'What do you know about the reform project?', *Drawmedia*, 8 August 2019. Available at http://drawmedia.net/page_detail?smart-id=4312

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Kurdish Peshmerga fighters showcase a
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Zeravani training camp in Erbil, Iraqi Kurdistan,
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