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# Iraq's New Budget: The Game Changer Explained

13-06-2023

## Authors

Ziryan Rojhelati

**Summary :** This budget, which the Kurds seem to have reluctantly accepted due to internal pressures may hold a minefield of unintended consequences and conflicts

## Intro

Far beyond its economic implications, the Iraqi budget ushers in an unprecedented political era unseen for over two decades. This goes beyond the local narrative spun by Kurdish parties embroiled in internal disputes. The issue extends past shifting alliances or favoring one Kurdish faction over another. Instead, it's a piece of a larger regional political phase that could inflict serious damage today or tomorrow if the Kurds fail to find their equilibrium.

The budget itself is rife with controversial elements. Its focus on security, to the detriment of services and other sectors, along with apparent sectarian distinctions, are hot topics. Yet, the political facet is so paramount that it has led to a reevaluation of the agreement between Erbil and Baghdad concerning oil and the budget, as well as the pact between the Prime Minister of the Kurdistan Region and his deputy.

This budget, which the Kurds seem to have reluctantly accepted due to internal pressures, may hold a minefield of unintended consequences and conflicts.

## The Budget Law: A Deep Dive into Kurdistan's Future

Despite Iraq's colossal budget of over \$152 billion, it's doubtful it will significantly stimulate the nation's overall development. Money might create wealth, but it alone cannot foster national growth. For instance, about 29 trillion dinars are dedicated to security and military institutions, while five key ministries - health and environment, social affairs, education, higher education, and water resources - receive a combined allocation of 31 trillion dinars.

Two key agreements came under scrutiny during the budget discussions: the oil agreement between Erbil and Baghdad, which represented a compromise given the halt of oil exports from the Kurdistan region, and an agreement between Masrour Barzani and Qubad Talabani concerning domestic issues.



Per the agreement between Erbil and Baghdad, 400 thousand barrels of oil will be sold via SOMO, with revenues deposited into a bank account under the spending authority of the Prime Minister of the Kurdistan region. Baghdad initially preferred a Central Bank account, but a parliamentary decision later amended Article 14 of the budget, complicating the Kurdistan Region Agreement.

The account will be opened either by the central bank or another bank trusted by the central bank. Hence, political disagreements between Erbil and Baghdad could cloud the future of this account, tied first to the Ministry of Finance and the Central Bank, and then to the Kurdistan region. Moreover, resolution of core disputes between Erbil and Baghdad - involving oil, border crossings, and local revenues - is now the responsibility of a parliament dominated by the coordination framework. This stands despite the fact that dispute resolution should initially be tied to enforcement, followed by the federal court.

In essence, changes to the law's articles, particularly Article 14, might harm the Kurdistan Region's position while also undermining the standing of the Sudanese, possibly as a result of internal Shiite rivalry. It seems the Shiites took a lesson from the Kadhimis, aiming to prevent Sudani from acting independently with backing from the Kurdistan Region.

Indeed, the eighth paragraph of Article 14 grants the Iraqi Prime Minister a practical role in administering the Kurdistan Region by enabling him to pay salaries or provide direct funding to any protesting governorate within the Kurdistan Region.

Beyond the financial implications of the budget, Baghdad has established direct contact with officials in Sulaimani, tackling security concerns and border agreements with Iran. The budget merely presents the official economic dimension of this dialogue.

Opinions among Kurdish parties diverge on this matter. Some perceive it as an attempt to divide the Kurdistan Region, while others consider it an assurance of justice and democracy. Notably, this development followed a concord between the Prime Minister of the Kurdistan Region and his deputy, who had abstained from cabinet meetings for nearly seven months. This implies that either the foundation of the agreement was fragile, or the problem of trust between the KDP and PUK remains robust, or perhaps PUK leaders view the issue from an alternative perspective.



Furthermore, the budget categorizes the Peshmerga force as a ground infantry unit, which might make it challenging to acquire advanced weaponry and ammunition, as was the case in previous years when supplying Peshmerga with American drones was prohibited.

## The Budget's Hidden Layers!

The impact of the budget extends further, producing three outcomes for the Kurdistan Region. Firstly, it has heightened internal conflicts in the region, suggesting that the main parties may grow increasingly hostile towards each other unless the situation changes.

Secondly, the budget endows the Iraqi prime minister with pragmatic authority to manage the Kurdistan Region, permitting him to treat the Kurdistan Region as two separate administrations at his discretion. It also gives the Iraqi Parliament, where pro-Iranian parties are in the majority, the power to address the disparities between Erbil and Baghdad, which limits the political maneuvering capacity for the Kurdistan Region.

Kurdish leaders accuse some Shiite parties of breaching agreements. The obstinacy demonstrated by the coordination framework groups during the budget negotiations concerning the Kurdistan Region could be linked to the broader political climate in the region that bolsters the prospects of Iran, Bashar al-Assad, and the Iraqi Shiite groups.

Gulf nations are attempting to strengthen their ties with Tehran, despite their growing closeness with Israel. These actions have potentially boosted the coordination framework's capacity to exert pressure on Erbil, supported by domestic Kurdish endorsement derived from public policy benefits.

The dynamic isn't confined to the current influence of Iran, Assad, the Iraqi Shiite groups, and Lebanese Hezbollah. Other regional events are in play. Turkey has just emerged from its elections and is anticipated to pursue a more active foreign policy with the appointment of intelligence chief Hakan Fidan as the foreign minister. The stances of the US and Israel regarding Iran's nuclear and missile programs are additional factors that could have future implications. Iran is facing challenges with the Taliban and Azerbaijan on its eastern and northern borders and is aware that excessive pressure might exacerbate the Kurdish issue. Moreover, internal issues within Iran and intra-Shiite disputes and conflicts in Iraq, particularly with the impending provincial elections, may influence the course of events.

## Conclusion

Alongside budget discussions, the focus on Kurdish inclinations towards internal matters and restraining their regional activities is of significant importance. For a comprehensive understanding, it's essential to consider the budget, the decisions of the Federal Court, the strain on the parties in East Kurdistan, the border issues, and the future of western Kurdistan following Syria's reinstatement in the Arab League. The pressures are a consequence of the political transformation in the region, and its stability is far from assured. The Middle East's political landscape is perpetually unstable, reflecting an imbalance of power within the region and Iraq itself. Thus, it's plausible that the status quo will not persist, and only time will reveal how the upcoming actions of Turkey, Israel, the US, and internal developments in Iraq will influence the circumstances.

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