

INTELLIGENCE BRIEFING

Tracing the Role of the Violent Entrepreneurs in the Iraqi Post-Conflict Economy





Tracing the Role of the Violent Entrepreneurs in the Iraqi Post-Conflict Economy

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COVER: Vehicles drive along al-Firdous square in Baghdad in March 2023 beneath a prominent billboard showing the slain head of Iran’s Islamic Revolutionary Guard Corps’ Quds Force, Qassem Soleimani (2nd-R), and the commander of the Iraqi Hashed al-Shaabi forces, Abu Mahdi al-Muhandis (2nd-L), with a figure wearing green and others looking toward the Dome of the Rock mosque in Jerusalem. (Ahmad Al-Rubaye / AFP via Getty Images)

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Executive Summary

Despite their recent poor performance at the ballot box in comparison to the 2018 parliamentary elections, the Shiite political parties associated with Iraq's Popular Mobilization Forces (PMF) have remained important brokers with sufficient power to steer the government's decision-making process. Nevertheless, accusations over the PMF's controversial involvement in the post-conflict economy have cast a shadow over the paramilitary's initial street legitimacy grounded in their contribution to the war against the self-proclaimed Islamic State organization. Especially with newly appointed Prime Minister Mohammed Shia al-Sudani vowing to fight corruption and mitigate the effects of graft on the country's economic development, the PMF's allies in the administration might face more pressure to tackle the self-serving ventures of an array of hybrid armed actors exploiting their varying degrees of affiliation with the state-recognized paramilitary umbrella. A manifestation of this pressure to clean up the PMF's image and to further legalize the economic ambitions of its leaders and affiliates has been the move to establish a state company under the Popular Mobilization Authority, which would then



Shiite pilgrims stop at a tent adorned with portraits of Abu Mahdi al-Muhandis (R) and Gen. Qassem Soleimani in Baghdad on Oct. 5, 2020. (Photo by Ahmad al-Rubaye / AFP via Getty Images)

provide cover and capital for myriad operations in the field of post-conflict reconstruction and development.¹

The penetration of the Iraqi state by these hybrid violent entrepreneurs juggling multiple identities and moving between the legal and the extralegal space continues to compromise the country's security sector. Being in some

cases legalized by the state as part of the wider PMF structure, these entrepreneurial security providers have managed to identify multiple ways of exploiting the post-conflict economy. Moreover, state authorities' failure to obstruct their means of profit generation has often been seen by both outside observers and Iraqi civilians as a sign of tacit consent or, even worse, capitulation before the omnipresence of paramilitarism and armed politics.²

Focusing specifically on the "militia-preneurship" ascribed to commanders affiliated with the wider network of the state-sanctioned PMF, this paper seeks to illuminate the foundations of their money-making schemes.³ One of the most controversial components of the PMF's footprint on the Iraqi economy is the widely criticized appetite of some of its numerous affiliates for monetary profit and political influence. Various revenue-generating schemes ascribed to undisciplined PMF proteges have in some cases led interviewed participants to accuse the paramilitary of serving as a cover for Mafia-like practices outside the established legal framework, e.g., ghost soldiering, property grabs, arbitrary taxation of checkpoints, oil smuggling, kidnapping, and extortion.⁴



In order to demonstrate the state's limitations when it comes to containing this type of rent-seeking behavior (the practice of an entity seeking economic benefit without a reciprocal contribution), the author seeks to showcase the stakes of these ambivalent armed actors in the post-conflict economy and how they have exploited the shield provided by their affiliation or cooperation with the PMF. To better understand the PMF in their capacity as their circumstantial institutional roof, the author urges policymakers to revisit their binary understanding of the paramilitary as either an entirely profit-oriented conglomerate or an obedient Iranian lackey. It is rather the PMF's heterogenous character that has enabled the paramilitary to be easily exploited as a convenient cover by an array of actors pursuing

independent, often-conflicting interests on the ground.

While all of those armed elements claiming affiliation with the PMF brand have indeed profited from the paramilitary's legalization as a state-sanctioned agency, both the nature of and the driving factors behind their economic ventures can strongly differ from one group to the other. The behavior of some might indeed resemble the tactics adopted by organized crime organizations, though this should not obscure observers' assessment of their ideological motivation, nor of their political ambitions. On the contrary, in some cases they have justified their participation in economic ventures as a means to sustain the individual groups' ideologically motivated armed operations. Under specific circumstances, unlocking ways for recruits to self-cater and

earn on the side has also helped some brigades attract more volunteers in their ranks.

Moreover, the profit generated through some of these schemes has also been used to expand a given group's patronage networks, allowing it to win over locals and translate their support or involuntary dependence into votes and parliamentary seats for the political wing affiliated with the group. Finally, the paper advises against treating the PMF's constitutive factions as remotely controlled proxies, demonstrating that in the economic realm, various groups affiliated with the paramilitary have developed their own self-serving agendas regardless of their reported submissiveness to Iran's ideational authority and their obligations to the paramilitary as a state-sanctioned security agency.

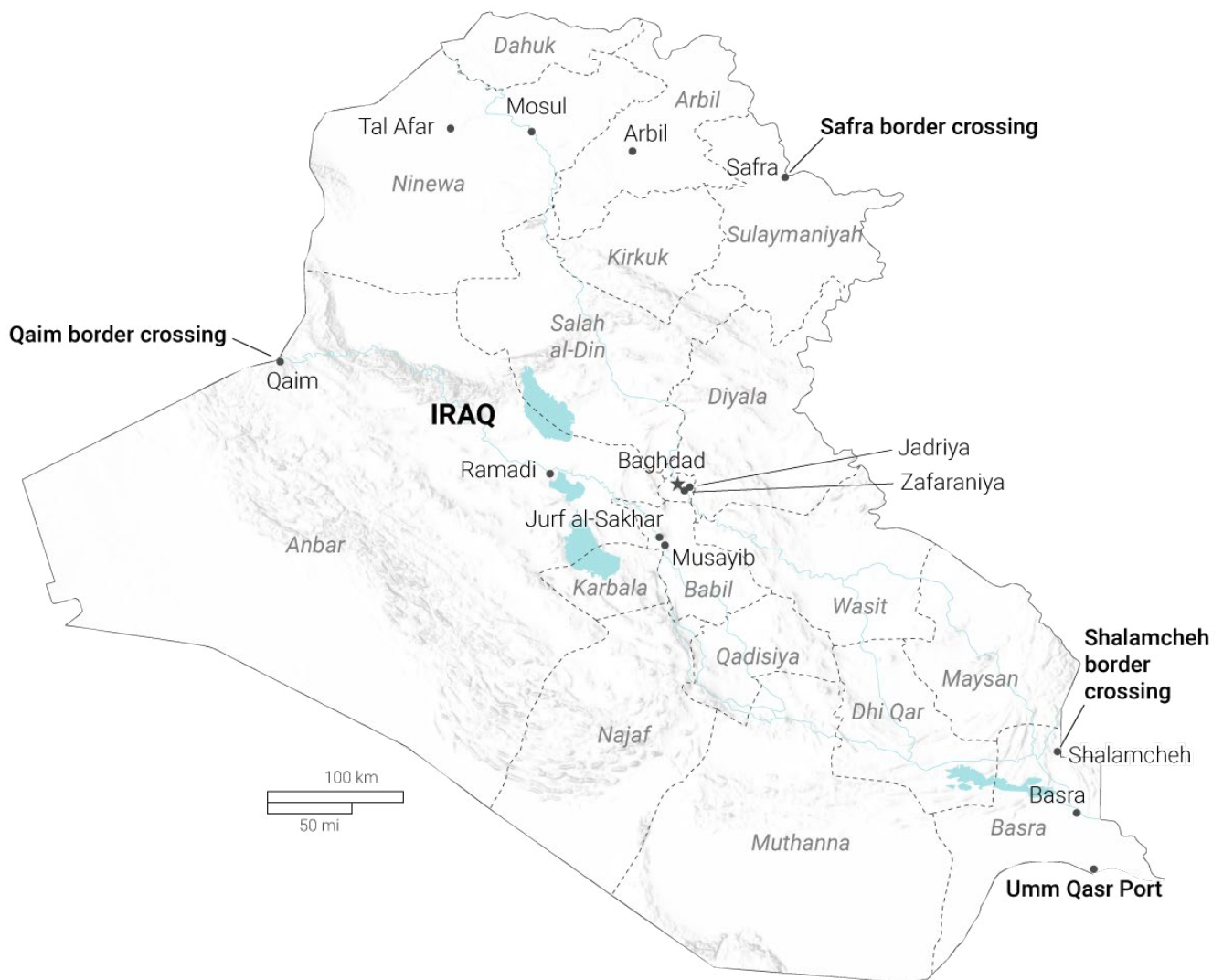
The PMF as an Entrepreneurial Security Actor

Widely celebrated by Iraqis for their contributions to the operations against the Islamic State, Iraq's Popular Mobilization Forces (PMF), also known as Hashd al-Shaabi, now regard themselves as entitled to co-shaping not only the political decision-making process but also the very nature of Iraqi statehood. Although the PMF brand was symbolically launched

only in the aftermath of the historic fatwa (religious edict) issued on June 13, 2014, by the Supreme Religious Authority of the world's Shiite Muslims, Iraq's Grand Ayatollah Ali al-Sistani, the paramilitary's architects and its vanguard are by no means newcomers to Iraq's sociopolitical arena. This is particularly the case with figures dominating the leadership ranks of the PMF, who have a longstanding track record as guerrilla commanders with combat experience, in some cases predating the 2003 invasion of Iraq and the resistance

operations against British and U.S. forces that followed.

In this regard, the challenge of the Islamic State turned out to present a unique opportunity for these militant formations to combine their efforts under the same organizational roof and to entrench themselves within Iraq's security apparatus with a greater degree of legitimacy than ever before.⁵ Advertising themselves as the liberators of the state, these once-disparate and occasionally frowned-upon militants were now not only united but also invested



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with a national purpose.⁶ As Renad Mansour argues in “Networks of Power,” their resilience can also be attributed to the fact that instead of integrating into a monolith or tight-knit organizational structure, the key stakeholders within the PMF continue to draw on “a series of fluid and adaptive networks representing Iraq’s full ethnic, sectarian and regional diversity.”⁷

Coming to terms with the PMF’s increased popularity as a grassroots reaction to the Islamic State invasion, the Iraqi authorities recognized the added value of

incorporating the paramilitary into the state security framework. In order to institutionalize the PMF as an integral part of the armed forces, the Iraqi Council of Representatives passed the Hashd law in November 2016, which formally placed the irregular force under the authority of Iraq’s commander-in-chief. Nevertheless, the ambiguous wording of the law also granted the PMF a high degree of autonomy by proclaiming them an independent organizational entity. Exploiting their vaguely delineated “state actor identity,” the PMF have managed to carve out

an extralegal safe haven and to interpret their institutional mandate as they see fit. Underscoring the PMF’s association with the state security infrastructure, the majority of the organization’s affiliates and proteges have at times sought to evade accountability by claiming legal immunity — yet they have also paid little more than lip service to the commander-in-chief, while nurturing their respective movements independently.

Furthermore, the PMF’s success story on the front lines helped the paramilitary pave a path to the



ballot box. Trading their uniforms for tailored suits, many PMF affiliates contested Iraq's May 2018 parliamentary elections — the first ones since the defeat of the Islamic State. They stood as the Fatah (Conquest) list, which mainly comprised representatives from the PMF, and came second behind the Sa'iroun (Marching Forward), a coalition led by the Iraqi cleric and former head of the Jaysh al-Mahdi, Muqtada Al-Sadr.

Despite the obvious reputational risks associated with endorsing an ethically controversial paramilitary actor, the state nonetheless persisted in institutionalizing its relationship with the PMF. The state has been motivated by the twin aims of claiming the PMF's successes against the Islamic State as its own and of exerting control over the movement as Iraqis looked to a post-Islamic State future.

This approach was not without its risks. Having been formally legalized by Iraq's Council of Representatives, members of the PMF's wider network have regularly challenged the performative legitimacy of the state. Cashing in on rising public discontent over the perceived impotence of the political system, the PMF's leadership has been advertising the paramilitary's social welfare activism. While seeking to outbid Iraq's overstretched institutions, the PMF's leadership has often implied that the state lacks the capacity to tackle Iraq's reconstruction challenges.

Nevertheless, in its sixth regular session, the Council of Ministers under the Chairmanship of Prime

Minister Mohamed Shia al-Sudani approved on Nov. 28, 2022, "the establishment of a public company in the name of (Al-Muhandis) with a capital of one hundred billion IQD, linked to the Popular Mobilization Authority, based on the provisions of Article (8) of the amended Public Companies Law (22 of 1997)."⁸ The recently inaugurated al-Muhandis "state" company is thus bound to provide additional economic resources for the PMU to promote their role as a generous and reliable service provider.

Rejecting resurfacing accusations that the PMF were pursuing self-enrichment by "paramilitarizing the economy," PMF Chairman Faleh al-Fayyadh declared at a public event commemorating the death of the hashd patron al-Muhandis said that the new company was established to serve the Iraqi people.⁹ It therefore comes as no surprise that the first major public project of al-Muhandis company has been focused on advertising the PMF's contribution to tackling climate change challenges and combatting desertification by vowing to plant 1 million palm trees in the district of Samawah.¹⁰ At the official launch event on March 23, 2023, al-Fayyadh revealed that the rationale behind the project remains to establish the "hashd as a 'participant' and a 'ready for action' force in all the concerns of this nation."¹¹ He vouched that the paramilitary "will prove to the world its creativity in agriculture, just as it has been creative in defending the homeland."¹²

Meanwhile, the rent-seeking operations set up by some of the paramilitary's leaders and affiliates,

such as the illegal taxation imposed on lucrative checkpoints as well as customs evasion and smuggling at select border crossings, have gravely impacted the state's budget deficit. While recognizing the destructive impact of these revenue-generation schemes, the author argues that the entering and exploring of the post-Islamic State economy by PMF affiliates was not solely motivated by the pursuit of monetary profit. On the contrary, the behavior of some PMF members and affiliates as entrepreneurial security actors has been, to a large extent, driven by rational calculations of how this economic capital can be translated into popular legitimacy by reaching out to underserved residents and unlocking more opportunities for members of the paramilitary's support base. To illustrate how PMF affiliates have so far been able to increase their material resources and enhance their patronage networks, the following sections will look into some of the illegal and extralegal practices ascribed to PMF-affiliated actors, such as ghost soldiering, the establishment of parallel military industries, property grabs, arbitrary taxation of checkpoints, oil smuggling, scrap metal trade, and kidnapping and extortion.

Ghost Soldiering

Ever since the legal recognition of the PMF as an integral component of the Iraqi Security Forces, the fighters' salaries, covered through the state-sanctioned budget of the paramilitary, have secured them a legitimate cash inflow. Nevertheless, policy analysts have on numerous occasions raised the



Emergency Response Division troops secure the front gate of Baghdad's Green Zone on Dec. 31, 2021, as supporters of Asa'ib Ahl al-Haq and the Hezbollah Brigades stage a rally marking the withdrawal of U.S. troops from Iraq and the second anniversary of the attack on the U.S. embassy in Baghdad. (Ameer Al Mohammedaw / picture alliance via Getty Images)

issue of “ghost soldiering,” referring to the alleged practice of listing individuals on the PMF Commission payroll whose chronic absenteeism is being either willfully ignored or, in some cases, directly authorized by their field commanders.¹³ A study from the Washington Institute indicates that decision-makers up the chain of command have turned a blind eye to such irregularities, thereby enabling armed factions to finance their military presence in Syria through the official PMF budget.¹⁴ Reportedly, not even the introduced biometric and

electronic payment system stands any chance of eliminating such an abuse of government-allocated funds as long as the authorities entrusted with overseeing the process demonstrate no genuine interest in investigating and reporting financial fraud.¹⁵

Fa'iq al-Sheykh Ali, the liberal lawmaker and member of the Iraqi Council of Representatives, has also voiced concerns over the ghost soldiering phenomenon. In the aftermath of his short-lived candidacy for the post of prime

minister, he accused the PMF on May 24, 2020, of having contributed merely 48,000 active fighters while claiming salaries for 130,000 affiliates.¹⁶ However, the PMF official Ali al-Husseini denounced the allegations of 82,000 “phantom soldiers” as a defamation campaign, emphasizing that “all the Mujahideen in the PMU receive their salaries through the Qi Card electronic payment system.”¹⁷ (PMU, or Popular Mobilization Units, is a term sometimes used for the PMF.) In view of the prospective reputational damage



tied to accusations of payroll manipulation, PMF commanders are unlikely to admit publicly to the crime of ghost soldiering. The issue thus remains highly politicized, and analysts often struggle to present evidence of such practices. For instance, in an article on the consequences of the November 2016 law that legalized the PMF, the Syrian-American journalist Hassan Hassan referred to an interview in which Yazan al-Jabouri, the Sunni commander of Liwa' Salahuddin (PMF Brigade 51), allegedly had hinted that the official number of Sunni fighters within the paramilitary might have been inflated so that leaders could demand additional financial support.¹⁸ However, in an attempt to verify the quote provided by Hassan, the author approached al-Jabouri for an interview, and al-Jabouri then declared that the statements in that interview had been taken out of context.¹⁹

The current controversy around ghost soldiers, along with the administrative loopholes and risk management deficiencies underlying the corruption in the state security sector, predate the formal legalization of the PMF. Already in 2014, the then-Prime Minister Haider al-Abadi had initiated an anti-corruption campaign meant to address the existence of 50,000 ghost soldiers across the Iraqi military establishment whose government-sponsored salaries had ended up in the pockets of unit commanders.²⁰ As a 2016 report on the operational challenges facing Iraq's armed forces noted, financial corruption has often been enabled by a lack of accountability, starting at the

officers level: "Corruption was rife even when the Iraqi Security Forces was at the zenith of its strength in 2009, resulting in senior and junior ranks being purchased in order that officers could run their units like Mafia bosses, ransoming arrested civilians and receiving kickbacks for letting soldiers go absent without leave."²¹ The various armed groups claiming affiliation with the PMF brand have been able to exploit this poorly regulated field, further obscuring exactly how many individuals currently are benefiting from the paramilitary's government-sponsored budget.

Military Industries

Under the cloak of the PMF, armed factions have also been able to develop their own military industries, establishing factories and workshops to support their own operations in selected territories with limited government supervision. According to a Washington Institute study, most of the industrial activities at these sites have remained restricted to basic equipment manufacturing — focusing on items such as military uniforms, boots, and belts.²² Various PMF-affiliated formations, such as the Badr Brigades, are reportedly running such facilities in their own zones of influence across the areas of Khalis, Baquba, Balad Ruz, al-Numaniyah, and al-Zafaraniyah, where they are said to have a working relationship with Kata'ib Hezbollah (KH) as one of the most ambitious PMF-affiliated groups involved in armed resistance operations. It is in al-Zafaraniyah district where most of the PMF's ammunition and mortar shell

production is suspected to be taking place. Drawing on personal conversations with the political analyst Hisham Al-Hashemi, who was later assassinated, Michael Knights indicates that the Asa'ib Ahl al-Haqq (AAH) brigades, led by the prominent sheikh from the Islamic resistance Qais al-Khazali, have set up industrial branches in Nahrawan, Bismayah, and Jurf Al-Sakhar, while their Sadrist counterparts from Saraya Al-Salam are allegedly administering a factory in the Hamza district of Al-Qadisiyah Governorate.²³ Furthermore, in an interview with the author, Knights pointed to the existence of a major Kata'ib Hezbollah complex in the Ain Al-Tamr district of the Karbala Governorate, which was launched for the purpose of rocket artillery production.²⁴

Due to the sensitive nature of these ventures, it has been extremely difficult to verify the geographical coordinates of the above-discussed infrastructure. While Arabic-language sources have revealed the frequent occurrence of violent skirmishes between state security forces and armed members of KH in the area of Ain Al-Tamr, there still has been no official confirmation of a KH-run rocket artillery factory west of Karbala.²⁵ With longstanding track records of clandestine operations, units such as KH are particularly adept in covering up their tracks, especially when it comes to the manufacturing, storage, and proliferation of heavy artillery pieces. Without specifying a concrete location, Abu Mahdi al-Muhandis does confirm, though, in an interview for Nas News, that the PMF has been able to



Hashd al-Shaabi (PMF) troops flash the victory sign as they advance in northern Iraq near Hawija and Kirkuk in October 2017. (Ahmad al-Rubaye / AFP via Getty Images)

reactivate certain arms factories: “the engineering specialists of the PMU have succeeded in producing short-range and medium-range missiles.”²⁶

Meanwhile, more reliable evidence of the operability of such well-guarded infrastructure can be derived upon cross-referencing the various sources covering the Iran-sponsored missiles proliferation across Iraq.²⁷ For instance, several reports have argued that the PMF long ago entered the stage of manufacturing its own ballistic missile arsenal.²⁸ Arabic media channels, referring to an announcement by Al-Furat News Agency from early June 2017, reported that a PMF-run factory in Basra had finalized the

production of a high-quality missile launcher under the name of Ra’ad 1 (the Persian word for “lightning”).²⁹ Moreover, in an interview for the Abu Dhabi platform Al-Ain, the head of the Iraqi Ummah Party, Mithal al-Alusi, claimed in November 2019 that under the guidance of Iran’s Quds Force, armed formations of the PMF had established two main factories for the manufacture and storage of missiles located respectively in the KH-controlled Jurf Al-Sakhar area and, allegedly, on the premises of Najaf’s airport.³⁰ Even though there has been no further mention of artillery production facilities in the governorate of Najaf, articles by Reuters, Al Jazeera, Al-Arabiya, and Asharq Al-Awsat have all confirmed the existence of military

factories in Jurf Al-Sakhar, adding that preexisting facilities located in the district of al-Zafaraniya had restarted their missile production activities in 2016 with the help of Iranian advisers.³¹

Combining this information with news leaks documenting the increased targeting of Iran-linked ammunition storage areas, researchers can gain a more accurate overview of the territorial distribution of PMF-linked military industries across the country.³² In addition, such an improved understanding can help international security analysts to assess the above-outlined arms production facilities’ exposure to external attacks and also help decision-makers weigh the risks



of endorsing the military targeting of some of these sites being run by Iraqi state-sanctioned paramilitary actors.

Property Grabs

Allegations of large-scale land-grabbing suggest that PMF-affiliated individuals have been using the organization's leverage in order to entrench themselves in strategically important territories. The implicated subjects stand accused of seizing government-owned properties, meddling with real estate auctions, and claiming ownership over abandoned residential and commercial buildings, while usurping the rights of internally displaced citizens.³³ Investigative reports and fact-finding missions have focused primarily on irregular land acquisitions and human rights violations observed in the following three areas: Baghdad city and the so-called Belts;³⁴ the Ninewa Governorate; and the Al-Musayab district and the security-relevant area of Jurf Al-Sakhar in the Babyl Province, which has become notorious as a safe haven for Kata'ib Hezbollah and their operations.³⁵ Here, local populations have been either forcefully evicted from their houses or legally and financially pressured into signing over their property rights, as witnessed in the aftermath of the Mosul offensive. However, this working paper will focus on the paramilitary's sway over the capital's municipal infrastructure. Upon illuminating the entrenchment of these armed groups across Baghdad's urban areas, the author will then comment

on the paramilitary's fortified enclave in Jurf Al-Sakhar.

As outlined in a Chatham House study of conflict economies across the MENA region, establishing a presence in the capital can secure privileged access to decision-making bodies and can unlock new lucrative revenue streams: "Control of the capital city also comes with the ability to make laws and use the legal authorities of the state to legitimize, undermine, fast-track, or block particular practices or behaviours."³⁶ For instance, as long as certain PMF affiliates can manipulate deficient bureaucratic oversight mechanisms, they can easily generate profit by exploiting rental contracts, abusing income tax exemptions, or simply by leasing public land at bargain rates.

Specifically, by either bribing or intimidating officials inside the real estate registration departments, PMF-linked groups have reportedly managed to obtain forged identity documents, allowing them to seize properties owned by Iraqi Christians in high-end Baghdad neighborhoods such as Karrada and Mansour.³⁷ Furthermore, quoting an anonymous source from within the Iraqi Real Estate Registration Department, the pan-Arab daily newspaper Al-Quds Al-Arabi suggested that "Shi'ite militias" (a controversial term usually associated by the general public with PMF-affiliated factions) have invented several mechanisms to acquire ownership over the properties of Sunni civilians and former members of Saddam Hussein's regime forces.³⁸ The newspaper also listed detailed complaints of an

Iraqi citizen — referred to as "Abu Wissam" — who claimed that the group seeking to deprive him of his rights had somehow been linked to an alleged member of al-Khazali's Asa'ib Ahl Al-Haqq brigades.³⁹ Abu Wissam insisted that the suspected executors of the fraud scheme had first forged his signature on a rental lease agreement, which said Wissam would be receiving \$1,000 U.S. per month for renting out the vacant land. According to Wissam, a year later new documentation was presented — only this time it appeared that Wissam had actually sold the land to one of their controversial collaborators: "Despite the fact that I was in possession of all the official papers proving that the land still belonged to me, by paying off corrupt employees the militias could exert pressure onto the real estate registration department and block any legal procedures, which could restore my entitlement as the rightful owner."⁴⁰

As Wissam's account illustrates, figures with ambivalent ties to PMF formations have often been criticized for bending the rules or threatening the use of force to extend their clout over areas of a certain geographical significance. The same rationale has been ascribed to Kata'ib Hezbollah, whose maneuvers to increase its presence in the diplomatic district of Al-Jadriyah have allegedly included an attempt to occupy a building at the disposal of the leader of the Patriotic Union of Kurdistan, Lahur Sheikh Jangi Talabany.⁴¹ Even though the author has not been able to identify any primary sources confirming the involvement of KH in this specific incident, in May 2019 the Iraqi



“ By effectively preventing the government from examining the facilities operating under its jurisdiction, KH [Kata’ib Hezbollah] has been able to conduct a series of rocket attacks on sensitive U.S. locations across the country and – at least according to some intelligence analysts – to plan drone operations against Saudi Arabia. ”

news platform Al-Sumariya indeed reported a heated confrontation between paramilitary groups and Iraqi security forces who had been deployed to evacuate one of the PMF’s headquarters in Al-Jadriyah.⁴²

Moreover, numerous reports have emphasized the growing territorial aspirations of KH, which has seldom refrained from demonstrating its dominance over critical segments of Baghdad’s heavily guarded Green Zone. For instance, following the U.S. airstrikes on five KH military bases along the Iraqi-Syrian border, the group mobilized an impressive number of sympathizers who stormed the U.S. embassy without facing resistance from Iraqi security forces and once again exposed the vulnerability of the diplomatic missions located in the area.⁴³

Through similar tactics, KH has also managed to get hold of extensive tracts of land in the Jurf Al-Sakhar district, allowing the group to establish its own fiefdom in the strategic area located only 50 kilometers south of the Iraqi capital of Baghdad.⁴⁴ In addition to sensitive weapon storage

sites such as the warehouses spotted in Al-Musayyib, KH also set up its secretly run prison, where by August 2019 the group was believed to have illegally incarcerated approximately 1,700 detainees.⁴⁵ By effectively preventing the government from examining the facilities operating under its jurisdiction, KH has been able to conduct a series of rocket attacks on sensitive U.S. locations across the country and – at least according to some intelligence analysts – to plan drone operations against Saudi Arabia.⁴⁶ The inability of the state to reclaim authority over such unregulated areas testifies to the paramilitary’s extrainstitutional influence and its commitment to cashing in on its access to property rights and physical infrastructure.⁴⁷

Checkpoints and Border Crossings

Besides securing multiple revenue streams through the capital city, paramilitary formations understand how to navigate Iraq’s conflict economy in order to monetize their leverage over strategic transit areas: “The PMF groups that took

control of key checkpoints and border posts got a cut of lucrative illegal smuggling and could demand kickbacks as a condition of passage.”⁴⁸ Levying taxes at checkpoints as well as evading customs duties at international border crossings has also enabled these armed actors to boost their official income, bring on additional manpower, and develop extensive patronage networks. For example, the financial resources gained through the imposed toll tariffs and protection fees have allowed some commanders to top up the regular salaries of their subordinates and even offer monetary compensation to unregistered fighters and subcontractors, who are not included in the state-sponsored PMF payroll.⁴⁹

According to a study conducted over the course of a London School of Economics and Political Science (LSE) research project entitled “Public Authority and Iraq’s Disputed Territories,” in 2017 al-Khazali’s AAH formation was able to generate approximately \$300,000 U.S. daily through arbitrary checkpoint fees collected across the highly contested subdistrict of Jalawla.⁵⁰ Further



fieldwork commissioned by the Clingendael Institute captured the profitability of the Safra border crossing, where members of the Badr Brigades allegedly raised \$12-15 million U.S. through the taxation of commodities transported from the Kurdish region of Iraq.⁵¹ Knights identified similar money-making schemes in his analysis of the security arrangements in the Ninewa Plains, where PMF Brigade 30, known also as Liwa' al-Shabak or Quwwat Sahl Ninawa, is believed to have monopolized some of the key trade routes between Mosul and Erbil.⁵²

Analogous to the checkpoint regime observed on the outskirts of Mosul, such tolling practices, along with illegal smuggling, have evolved into important pillars of the conflict economy thriving within the ethnically mixed Tuz Khurmatu district.⁵³ The difference is that this time, the accusations were not limited to the collection of extortion money along commercial roads. The PMF-affiliated formations present in the northeast part of Salahuddin Governorate have been held accountable for corrupting the region's financial and administrative infrastructure: "According to a high-ranking Shiite Turkmen official in Tuz, AAH's 'economic committee' has been using employees within various service offices to collect taxes from all types of businesses including shops, private clinics, restaurants and block factories."⁵⁴ As this quote exemplifies, the manning of checkpoints appears to be merely one expedient way for the PMF to cater to some of its fighters' appetite for the spoils of post-war power-sharing. In the long run, though, the massive

economic stakes in lucrative transit areas such as Tuz Khurmatu have compelled PMF-linked violent entrepreneurs to develop a far more comprehensive approach, which has required the systemic penetration of the local bureaucracy.

It therefore comes as no surprise that the tariff manipulation and customs duties evasion witnessed regularly at the Shalamcheh, Chazabeh, Zurbatiyya, and Mutheriyya crossing points between Iran and Iraq, as well as at Basra's Umm Qasr port, have most often occurred with the connivance of either incapacitated or complicit state authorities.⁵⁵ Evidence from the field demonstrates that PMF affiliates understand how to exploit the rent-seeking behavior of local competitors and provincial government clerks in order to agree with them on a burden-sharing formula, allowing all actors involved to enjoy a share of the revenues generated at checkpoints and in border areas. As the next subsection will argue, this tendency to look for a common denominator with local stakeholders has enabled PMF-linked armed entrepreneurs to transform their oil smuggling activities into a complex network of dense operational interdependencies, which cannot be tackled through conventional regulatory measures.

Oil Smuggling

In addition to creating opportunities for fighters to earn money on the side, control of checkpoints and border crossings has allowed PMF members and affiliates to tap into the illicit trade of crude

oil: "The Hashd's ability to ensure access through checkpoints and to protect oil trucking has yielded a potent capability to siphon off increments of crude and other oil products to be moved in 220-barrel trucks by direct road delivery to end-users or through Iraq's ports for export on small vessels."⁵⁶ Nevertheless, as emphasized in the Chatham House report, the involvement of PMF-linked formations in oil smuggling operations has necessitated a higher level of coordination with a plethora of competing actors in control of different segments of the fuel supply chain.⁵⁷

Moreover, fieldwork for this analysis has confirmed that in order to extract maximum profits from contested oil-rich areas, armed entrepreneurs are often required to negotiate arrangements and secure the cooperation of all the players with stakes in the process, including rival groups, local communities, and representatives of the state administration: "Every link in the supply chain contributes to the conversion of crude oil into money, so disrupting even one upstream link can have a substantial impact on downstream communities."⁵⁸ Similar to the so-called "cats of the embargo" (*qitat al-hisar*) from the time of Saddam Hussein's Baath Party regime, these PMF-linked formations have learned that in order for the smuggled crude to reach its export destination via well-tried trafficking routes, certain compromises have to be reached.⁵⁹ In that sense, the practices observed today resemble the commercial pragmatism adopted by Islamic State terrorist



Supporters of Asaib Ahl al-Haq – a faction of Iraq’s Popular Mobilization Forces (PMF) – walk on a makeshift U.S. flag during a demonstration against U.S. sanctions against its leader Qais Khazali, in Baghdad’s Karrada district on Dec. 14, 2019. (AFP via Getty Images)

gangs, who during their peak understood the importance of engaging with and occasionally co-opting middlemen, tribal leaders, entrepreneurs, and experienced oil workers.⁶⁰

The same rationale has reportedly empowered PMF-linked formations to navigate smuggling channels to Iran and Syria through the following sites: the Bashmeg border gate; the Parwez Khan and the Hajj Umran border crossings and the Mutheriyah crossing (on the Diyala-Iran highway); the

al-Qaim crossing (on the Anbar-Syria border); and the informal crossing in Mandali.⁶¹ Conversely, Iranian petroleum continues to be smuggled through Basra’s Umm Qasr port.⁶² Moreover, armed groups controlling various ports around Basra have occasionally resorted to underground pipelines, allowing them to siphon oil and sell it to the domestic market or even to transport it to Jordan and Syria, as illustrated in Map 1: “Reports have indicated that up to 400,000 barrels a day – or about 10 percent of the oil from Basra

province – are illegally intercepted and loaded on to trucks destined for Jordan and Syria.”⁶³

In view of the strategic importance of Basra as Iraq’s main oil-exporting area, the author would like to dwell particularly on the transactional dynamics in the southern province: “The local oil industry either lacks the equipment to measure its losses or deliberately chooses not to employ proper detection mechanisms, due to the tacit agreement with state employees and officials.”⁶⁴ The authorities’



tendency to turn a blind eye and the poverty-driven collaboration of local residents have made it easier for conflict profiteers to exploit domestic grievances and turn the governance deficit to their advantage.

The dividends gained through this exercise have furthermore helped certain PMF-affiliated factions to improve their competitiveness within Iraq's overpopulated security marketplace by winning over unlikely associates or allies – for instance, demoralized public sector servants or municipal officials anxious about their own economic prospects and susceptible to pressure.⁶⁵ Finally, the leverage of PMF-linked formations over the legal and extralegal oil business is likely to be translated into political and social capital, tying the livelihoods of local populations to the money-making ventures of the armed entrepreneurs.⁶⁶ Therefore, civilians have come to regard many of the PMF-affiliated armed formations as a form of necessary evil, which, as Skelton and Ali Saleem have illustrated, can be relied upon as “the one to go to in order to get the job done.”⁶⁷

The Scrap Metal Reprocessing Market

The lucrative scrap metal business has provided some PMF affiliates with an additional source of income, which has been facilitated through the paramilitary factions' control over the previously described checkpoint regimes. Although PMF officials have categorically denied participation of their cadres in the relatively unregulated scrap metal recycling

market, reports on the post-conflict economy in Mosul indicate that an array of PMF-linked actors have cashed in on the reprocessing of war scrap.⁶⁸ Moreover, a study conducted by the LSE Middle East Centre specifically identified al-Khazali's AAH brigades along with the Badr organization as having members who were heavily implicated in illicit transactions involving the illegal seizure of metal-bearing household and industrial waste.⁶⁹

By exploiting the institutional cover provided through their affiliation with the state-sanctioned paramilitary, as well as the PMF's strategic positioning along major trade routes, these armed entrepreneurs have identified ways to monetize their access to the approximately 10 million tons of debris scattered all over the war-ravaged city. For instance, they stand accused of deploying a combination of intimidation, harassment, and bribery in order to secure the cooperation of local scrapyards owners. As a quote by an anonymous victim of such coercive tactics demonstrates, scrapyards owners have often been forced to lower their prices as well as to limit their commercial dealings to a list of buyers with established links to the PMF: “I'm only allowed to sell to specific traders – they're either members of the militia or have a deal with them. You can't get scrap metal through checkpoints without a deal with the PMF.”⁷⁰

Further testimonies from international observers as well as scrapyards owners and Kurdish businessmen reveal that most of the semi-legally acquired material

has been transported to steel factories across Iraqi Kurdistan, with certain PMF-affiliated factions reaping profits from arbitrary checkpoint tariffs in their areas of operation: “A steel factory owner in Sulaimani confirmed that the price of scrap depends in large part on checkpoint taxes and those instating them. According to him, prices have been 30–35% higher in the past few years.”⁷¹ According to the previously referenced LSE Middle East Centre report, PMF-affiliated actors have not just benefited from levying taxes on the transported goods but also in some cases have even arranged the resale of scrap metal in direct negotiations with factory owners, thereby artificially raising the price of the product: “Scrap yard owners say a ton of scrap fluctuates at around \$30 U.S. inside the city. Steel factories in Erbil, on the other hand, pay around \$150 U.S. for a ton of scrap, showing the price distortion occurring during transportation.”⁷²

As these examples demonstrate, these armed brokers have also developed their own regulatory system, requiring scrap traders to either present an authorized permission letter at one of the PMF-controlled checkpoints or to reveal the exact storage location of the scrap material, which is then confiscated.⁷³ All of these schemes have been either rubber-stamped or deliberately ignored by the local authorities, as in the case of the former Ninewa Province governor, Nawfal Hammadi al-Sultan, who sought to whitewash PMF affiliates' footprint on the scrap metal industry as legitimate participation in the economy: “They buy it,



“ From a PMF perspective, though, it remains disputable whether the blackmail scheme attributed to KH [the kidnapping and release of Qatari nationals], which ended with the eventual release of the Qataris, has indeed been worth the reputational damage of affiliates with the Hashd brand being implicated in unpatriotic practices such as kidnapping and extortion. ”

(but) there's no law that forbids anyone to buy scrap metal.”⁷⁴ However, some officials, such as the former member of Parliament Mohammed Nuri Abed Rabbo, have dared to publicly criticize the PMF for exploiting the paramilitary's access to secondary raw materials belonging to the state and to the Iraqi people: “They either have their own dealers, who are purchasing the scrap and smuggling it to the Kurdish region and Iran, or they collect money for waving through the transported scrap. Either way, they remain the main beneficiaries of this business.”⁷⁵ Overall, the abuse of power that enables PMF affiliates to profiteer from the scrap metal sector reflects the “deep-seated corruption and a toxic politico-economic culture,” which had helped normalize such rent-seeking practices in the first place.⁷⁶

Kidnapping and Extortion

Apart from enabling armed entrepreneurs to amass a substantial amount of ransom money, regularly kidnapping civilians and activists has provided these shadowy actors with yet another opportunity to parade

their disrespect for the rule of law, thereby exposing the incompetence of state authorities.

One of the most peculiar cases involving some outrageous ransom demands features the KH formation, which has strategically registered three brigades with the PMF Commission. On Dec. 16, 2015, KH members reportedly kidnapped a group of about 26 Qatari nationals who had undertaken a hunting trip across the desert area of Al-Busayyah in Iraq's Al-Muthanna Governorate.⁷⁷ Aware that the captured individuals included members of Qatar's royal family, the presumed KH perpetrators raised the bets and requested millions of dollars in exchange for the hostages.⁷⁸





From a PMF perspective, though, it remains disputable whether the blackmail scheme attributed to KH, which ended with the eventual release of the Qataris, has indeed been worth the reputational damage of affiliates with the Hashd brand being implicated in unpatriotic practices such as kidnapping and extortion. There have been several contradictory theories regarding the confiscation of about \$300 million U.S. at the

Baghdad International Airport, where Iraqi intelligence services loyal to former Prime Minister Al-Abadi allegedly were deployed to obstruct the negotiated money transfer.⁷⁹ However, reports from the Financial Times and the New York Times Magazine accused Qatar of having paid around \$700 million U.S. to Iran and its regional allies and proteges, implying that an attractive bonus had reached KH, which was considered the key executor of the whole plot.⁸⁰ Regardless of how much cash KH was able to extract out of this operation, it is safe to conclude that experiences of this kind only emboldened the armed faction to advance its extortion and racketeering activities.

In late December 2019, KH was implicated in an even more daring gamble when the group was accused of kidnapping two French journalists during the storming of the U.S. Embassy in Baghdad.⁸¹ Even though the foreign nationals were released after two days without any evidence of a monetary transaction, the incident still gave KH the chance to demonstrate its ability to act with impunity inside Iraq's heavily fortified Green Zone.⁸²



Select Wings Within the PMF Umbrella

	Organization	Founding	Affiliation/political organization	Brigades
	Asa'ib Ahl al-Haqq*	2006: Founded by Qais al-Khazali upon splintering from the Mahdi army after splitting from the Muqtada al-Sadr's Jaysh al-Mahdi	Sadiqoun (political wing of AAH) and part of the Coordination Framework, an Iranian-aligned coalition within the Iraqi government	41, 42, 43
	Badr Brigades*	1982: Founded by the IRGC, it was the armed wing of the Islamic Supreme Council of Iraq (ISCI). The Badr Brigades split from the ISCI in 2011 and renamed itself the Badr Organization to take part in the 2012 elections.	Badr Organization, Fatah Coalition and part of the Coordination Framework	1, 3, 4, 5, 10, 21, 22, 23, 24, 27, 52, 55
	Katib Hezbollah*	2007: Founded by Abu Mahdi al-Muhandis, who has close ties to the IRGC and Hezbollah. The origins can be traced back to post-U.S. invasion Iraqi insurgency	Harakat Hoqouq with a loose affiliation to the Coordination Framework	45, 46, 47
	Saraya al-Salam	2014: Founded by the nationalist cleric Muqtada al-Sadr as an upgrade of his al-Mahdi Army – with better training, discipline and cohesiveness	Tayyar Sadri – nationalist group affiliated with Muqtada al-Sadr's coalition that withdrew from the Iraqi Parliament in 2022	313, 314

* The U.S. has designated this group a Foreign Terrorist Organization (FTO)

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Sources: Washington Institute for Near East Policy, New Lines Institute (A Thousand Hezbollah: Iraq's Emerging Militia State, May 2021), Stanford University (Mapping Militant Organizations)

It is also important to note that KH is by no means the only PMF-affiliated faction that has been criticized for abducting, torturing, and harassing civilians as well as Iraqi officials – sometimes even without any obvious financial gains. For instance, armed men reportedly from al-Khazali's AAH network have been accused of kidnapping the Baghdad Provincial Council Chair Riyadh Al-Adhadh from the Sunni Muttahidun bloc.⁸³ His release had to be facilitated through the personal intervention of then-acting parliamentary speaker Salim al-Jabouri, who is

said to have negotiated directly with former Prime Minister Nouri al-Maliki.⁸⁴ The fact that not a single member of AAH was prosecuted, or that the Shiite leader Ibrahim Al-Jaafari did not shy away from paying a symbolic visit to al-Khazali shortly after the abduction, reflects the leverage of the paramilitary formation over the political establishment in the capital.⁸⁵

Without any fear of reprisal, these armed groups have also frequently bent the facts to their advantage in order to gain the upper hand in the public discourse. For instance,

al-Khazali's AAH even took credit for rescuing the council chair from his terrorist kidnappers.⁸⁶ As these episodes reveal, the kidnapping of both foreign nationals and Iraqi citizens has proven to be much more than a source of income. Along with all the unresolved cases of forced disappearance of protestors and activists, these practices have come to serve as a bargaining chip, allowing armed entrepreneurs to test the patience of state authorities as well as these authorities' ability to enforce certain red lines to predatory behavior.



Conclusion and Policy Implications

Although Iraqi laws and constitutional restrictions are meant to prevent members of the armed forces from abusing their mandate for economic or political gains, this paper has demonstrated that paramilitary commanders and individual members affiliated with the PMF have been able to bypass such prohibitions. Armed entrepreneurs with links to the wider PMF stakeholders network have violated executive orders issued by two former prime ministers — Haider al-Abadi and Adil Abdul Mahdi — both of whom have sought to legally obstruct the money-making schemes designed by some of the paramilitary leaders. Nevertheless, labeling the PMF as a “militia-preneur” risks blurring the lines between the legal status of the paramilitary as a state-sanctioned auxiliary and the predatory behavior of individual players with strong veto possibilities within the institution.

Exploiting their leverage within the paramilitary, affiliated commanders and members have sometimes ignored the directives issued by the state authorities, thereby openly challenging the enforceability of the established legal framework. For instance, despite Iraqi laws prohibiting members of the security forces from getting actively involved in politics, veterans from the ranks of the Iraqi resistance, such as Badr commander Hadi al-Ameri, have managed to distance themselves cosmetically from the paramilitary while using their reputation won on the battlefield for electoral campaigning. Al-Ameri



A Saraya al-Salam soldier, a part of Iraq’s PMF, patrols against Islamic State threats in Samarra, Iraq, in September 2019. (Ameer Al Mohammedaw / picture alliance via Getty Images)

insisted that instead of being a militant actor entering politics, he was rather a politician returning to duty after taking a “sabbatical leave” from the halls of Parliament to defend his country.⁸⁷ More importantly, in doing so, actors like al-Ameri have set another precedent, demonstrating ways in which an existing affiliation with the PMF can be repackaged so that it does not stand in the way of an individual commander’s ambitions in both the political and economic realms. The adopted strategy has empowered members of the more entrepreneurial wing linked to the PMF network to expand their activities beyond the mere provision of security and even fund some of their operations in the field of welfare distribution and local governance. By testing the patience of elected authorities, this set of actors has learned how to bend the rules of engagement and use the

PMF’s relationship with the Iraqi state to their advantage.

Despite contradicting the PMF’s self-portrayal, the analytical lens of a “militia-preneur” may indeed expose the rationale behind some of the extralegal operations ascribed to the paramilitary’s affiliates and proteges. However, in view of the ideological and tactical differences within the PMF network, the “militia-preneur” label can only explain a portion of the paramilitary’s sway over the Iraqi socioeconomic field. In order to understand how the stakes of PMF-affiliated entrepreneurs in the socioeconomic field have complicated the PMF’s relationship with the state authorities, scholars should strike a balance between two tendencies: first, the tendency to reduce the paramilitary to an entirely profit-oriented conglomerate, and



second, the tendency to attribute the PMF's overstepping of the state regulatory framework to its purported submissiveness to Iran's ideational authority.

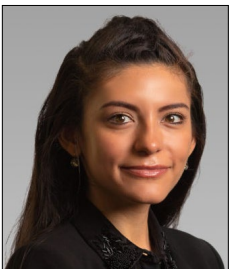
Indeed, instead of paving the path for structural interventions, the majority of foreign-sponsored Security Sector Reform projects have so far remained preoccupied with the PMF's professed ideological proximity to the Islamic Republic.⁸⁸ Considering the leverage of PMF-linked figures over the decision-making processes within Iraq's Parliament, Security Sector Reform strategies meant to depoliticize the security sector and to strip armed actors of their economic influence are bound to face great resistance. Therefore, their implementation would depend not only on the political will of Iraq's new government but also on the future ability of Prime Minister al-Sudani to secure enough backing from within the wider PMF network to push through tangible reforms and introduce more effective mechanisms of financial oversight.

Meanwhile, a less ambitious but more sustainable approach for the

international community would be to increase support for incremental measures by Iraqi decision-makers, such as the efforts of former Prime Minister Mustafa al-Kadhemi to combat cross-border corruption. By imposing stricter supervision of the work of border guards, al-Kadhemi's campaign was designed to help recover "hundreds of millions of Iraqi dinars in import tax revenue lost to bribery in the northern province of Diyala."⁸⁹ As former head of the Iraqi National Intelligence Agency, al-Kadhemi appeared to comprehend that with the state having once declared the PMF an official security agency, withdrawing this endorsement prematurely could draw the government into an ill-timed escalation. Instead, he prioritized going after the profit-generation schemes of those actors who have been exploiting their affiliation with the PMF for personal gains and legal cover.

In view of the PMF's residual popularity in the eyes of many Iraqi citizens, some whose sons had volunteered to join some of the paramilitary's brigades and fight the Islamic State, a more

confrontational course could easily backfire and evoke a "rally around the flag" effect. After all, despite the political and economic agendas pursued by some of the paramilitary's self-serving leaders, decision-makers need to keep in mind that the majority of the PMF's foot soldiers are modest and mostly well-meaning Iraqi citizens sincerely assembled to defend their homeland. For that reason, disbanding nearly 120,000 patriotically motivated volunteers due to the criminal behavior of a handful of power-hungry commanders occupying the upper echelons of the paramilitary could be perceived as both unjust and unpatriotic.⁹⁰ Above all, such a counterproductive measure would also allow the PMF's image architects to resort to their routine defensive narrative, claiming that the paramilitary has once again become the victim of foreign-sponsored attempts to destabilize Iraq by disarming and demoralizing one of the country's most fervent defenders — *hashd al-muqaddas*, or the holy Hashd. □



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