



CONCORDE CAPITAL

Ukraine's Political Structure Altered

What Does It Mean?

January 10, 2006

Nick Piazza
+380 44 206 8370
np@con-cap.com

Voter Support	%*
Party of Regions	22.8
Our Ukraine	12.7
Tymoshenko Block	12
Communists	4.9
Socialists	4.8
Lytvyn Block	4.6

*As of December 5, 2005.

In accordance with a law signed by the Verkhovna Rada on December 8, 2005, on January first Ukraine officially switched from a Presidential-Parliamentary to a Parliamentary-Presidential Republic. The decision to make the change this year was made at the height of the Orange Revolution as a compromise between the government and opposition.

What Does This Change?

The Legislature: In particular the new amendments change the way Ukrainians elect their leaders, in the past at least 50% of the Rada had to be formed on a majority basis (voting for individual candidates), now voters **will only be allowed to vote for a political party** and unlike before **if a deputy leaves his political faction, or is expelled from his party, his mandate is automatically terminated. Deputies that leave or are expelled are replaced by the next person on their party list.** Additionally, Rada deputies will now serve for five years instead of four. After being elected the new lawmakers have one month to form a coalition of at least 225 deputies. This coalition will then be responsible for electing the Prime Minister. Once elected the Prime Minister then nominates the Cabinet, the head of the Antimonopoly Committee, the chairman of the State Property Fund and the head of the Television & Radio Broadcasting committee. These posts are then approved by the Rada. Before the Prime Minister and the Cabinet were appointed by the President.

The Executive: Other key powers the President will hand over to the Rada following the March elections include his ability to hire or fire the Prosecutor General and the head of the Security Service. The President also loses his ability to nullify Cabinet acts he considers unconstitutional and create, abolish, or reshuffle ministries and State organs. In the new system the President only has the ability to disband the Rada if after the first month they fail to form a coalition or if after two months they fail to elect a government. The President can no longer fire the government. The president can still nominate people for the post of Prime Minister, Defense Minister, Foreign Minister, but final say rests with the Rada.

What To Look For

Compromise. These changes attach unprecedented significance to the Ukrainian Rada elections this March, whatever party is able to create a majority coalition will be able to put their PM in office and effectively run the country. Once the dust following the election battle settles look for the "big 3" political parties (The Yulia Tymoshenko Block (BYT), Our Ukraine, and The Party Of Regions) to do all they can to win the support of smaller factions. If the elections were held tomorrow the Party of Regions would have the most seats at about 120. While Tymoshenko and Our Ukraine would hold about 90 seats each. Smaller blocks that might be key in the formation of the government include the Socialists and Communists (~40 seats each), and the Volodymyr Lytvyn Block (~20 seats). With four parties including the Reform & Order-Pora Block and the Progressive Socialist Party (PSPU) getting over the 3% barrier and occupying about 14 seats.

Possible Coalitions:

It is still quite early but here are some possible coalitions:

Reunited? A coalition of Our Ukraine and Tymoshenko is likely, (giving them ~180 seats) with the only major hang-up being who would be PM (not a small problem). The next seemingly logical step would be for them to try to reconvene the "People's Power" coalition with the Socialists, which carried Yushchenko to power last year. It also seems likely this alliance would be able to win the support of Reform & Order-Pora, as both are former "People's Power" members. If Tymoshenko-Our Ukraine do poorly in the elections they may try to sabotage the formation of a majority coalition and the appointment of a Prime Minister, giving Yushchenko the ability to disband the Rada and call new elections.

The Empire Strikes Back. A coalition of the Party Of Regions and the Lytvyn Block (~150 seats) seems like a relatively safe bet as both have connections to former President Kuchma. Further it would not be impossible for this duo to gain the support of the Socialists as their political ideologies are pretty undefined. The Communists would be a tougher sell, as the CPU has said it was against blocking with any other party. However, stranger things have happened and Regions pro-Russian rhetoric and the chance to get back into power would surely be tempting for the Communists.

The Judas Theory. It is important to remember that both the BYT and Regions are extremely flexible ideologically and that Our Ukraine is known for its ability to reach political compromises. It would not be impossible for one of the former "orange" parties to forsake the other in order to gain or maintain power. Of the two possibilities it seems more likely that BYT could side with Regions to form a coalition. Both seemingly have coinciding Russian and oligarch support and Yanukovich could be told to step aside to give Tymoshenko the primer's seat. For Our Ukraine a coalition with Regions seems less likely as it would probably make Yushchenko a one-term president, by disillusioning his power base and put many of the party's promised pro-European reforms on the shelf.

Much Ado About Nothing? It is also possible that the current government could contest the new amendments as unconstitutional before the March elections and call for a referendum. If not expect an extremely active spring in the Verkhovna Rada.

Concorde Capital
72 Chervonoarmijska St,
2nd entry, 6th floor
Kiev 03150, UKRAINE

Tel +380 44 206 8370
Fax: +380 44 206 8366
www.concorde.com.ua
office@con-cap.com

CEO

Igor Mazepa

im@concorde.com.ua

COO/ Managing Partner

John David Suggitt

js@concorde.com.ua

Director, International Equity Sales

Peter Bobrinsky

pb@concorde.com.ua

Equity Sales

Marina Martirosyan

Lucas Romriell

Alexis Stenbock-Fermor

Anastasiya Nazarenko

mm@concorde.com.ua

lr@concorde.com.ua

asf@concorde.com.ua

an@concorde.com.ua

Director of Research

Konstantin Fisun, CFA

kf@concorde.com.ua

Utilities (Telecom, Energy)

Alexander Paraschiy

ap@concorde.com.ua

Oil & Gas, Pipes, Metals

Andriy Gostik

ag@concorde.com.ua

Machine Building, Chemicals

Olga Pankiv

op@concorde.com.ua

Banking & Macroeconomics

Alexander Viktorov

av@concorde.com.ua

Junior Analysts

Eugene Cherviachenko

Polina Khomenko

ec@concorde.com.ua

pk@concorde.com.ua

Editor, Politics

Nick Piazza

np@concorde.com.ua

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