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Ukraine local elections

On the Western course, with or without Poroshenko

Ukraine held on Oct. 25 its third vote since the EuroMaidan revolt with the election of representatives to local councils and their heads. The elections were determined to have met international standards, according to the OSCE and ENEMO, as well as the U.S. government. These endorsements came despite reports of fraud, which were reported to have had a systemic nature in Odesa; a handful of cancelled elections, exclusively in the Ukrainian-controlled territory of Donbas; and scandals, such as a member of the Central Election Commission complaining of political pressure.

The local elections reaffirmed that Ukrainians remain committed to a pro-Western geopolitical course. Of Ukraine's six largest cities (excluding Russian-occupied Donetsk), Kyiv and Lviv elected city councils that are firmly pro-Western. The remaining city councils, all located in the southeast regions, can be considered more or less evenly split between pro-Western and Russian-oriented forces, a major shift from the 2010 local elections in which pro-Western forces were a distinct minority.

The other big conclusion is that Ukrainians are becoming increasingly disinterested in the political system, as voter turnout was much lower than expected at 46.6 percent (compared to 52.2 percent in 2010). Polls were estimating the potential turnout between 50 and 75 percent. Apathy stems from Poroshenko's broken promises, a lack of tangible reforms, exhaustion from the Donbas war and the economic depression that has fallen upon the country.

As expected, the Solidarity Petro Poroshenko Bloc emerged as the strongest party, but its support has plunged since the parliamentary vote a year ago. This reflects widespread dissatisfaction with his handling of the Donbas war and peace negotiations with Russian and European leaders. It also reflects disappointment with lacking reforms and deteriorating living standards. As a result, rivals have gained from the declining support for not only Solidarity, but the all-but-extinct People's Front party of Prime Minister Arseniy Yatsenyuk. Even the Russian-oriented Opposition Bloc improved its results from last year.

The pro-EU force that has emerged as the leading rival to Solidarity is the Self-Reliance party. Solidarity and Self-Reliance were the only parties to qualify for the city councils of all of Ukraine's six largest cities (excluding Russian-occupied Donetsk), even finishing ahead of the president's party in two of these councils (Lviv and Kharkiv). As a result, party founder and Lviv Mayor Andriy Sadovyi has been catapulted to the national stage as among the top competitors for the presidency, alongside former Prime Minister Yulia Tymoshenko of the Fatherland party.

Two pro-EU parties that took most advantage of Poroshenko's decline are Fatherland in rural areas and Ukrop in the cities. Fatherland is the populist force launched by Tymoshenko, who was imprisoned by former President Yanukovich. The party's strategy of hammering utility price hikes produced double the results from last year, particularly in the rural areas that felt the most pain from such measures. Yet Fatherland is not a top competitor in the industrial cities. Instead the Ukrop party, launched by industrial magnate Igor Kolomoisky this year, has emerged as the leading rival to the Opposition Bloc, sponsored by industrial magnate Rinat Akhmetov, for the southeastern urban electorate.

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Background

Support for government deteriorating fast

The Oct. 25 local elections marked the third elections since the EuroMaidan revolt of November 2013-February 2014 that caused a global geopolitical earthquake. In June 2014, Ukrainians elected Petro Poroshenko as the new president to replace Viktor Yanukovich, who abandoned the country. Poroshenko was among the few figures in the Ukrainian oligarchy who had a positive image with the public, having created a confectionary empire. That image has since deteriorated significantly.

Poroshenko's distinction has been his signing the Ukraine-EU Association Agreement and preparing the launch on Jan. 1 of the Ukraine-EU Deep and Comprehensive Free Trade Area, both of which were rejected by Yanukovich at the urging of Russian President Putin. Poroshenko has led Ukraine through the Donbas war, in which local separatist forces were facing defeat until the introduction of Russian soldiers and weapons in August 2014. The Ukrainian public has a negative view of Poroshenko's handling of the war and his compromises with world leaders to broker a cease-fire.

In October 2014, Ukrainians elected a new parliament that gave Poroshenko a coalition government of five factions and a majority to approve his legislative initiatives. Arseniy Yatsenyuk, the leader of the second-largest faction called the People's Front, was elected by parliament as prime minister. At the time, Yatsenyuk was seen as a progressive reformer who could counterbalance Poroshenko's drive for power, which became apparent a year ago, when the vote was held.

Since then, Yatsenyuk has had a behind-the-scenes rivalry with the president. A lack of tangible reforms and a plunge in living standards (GDP is expected to have fallen 10.5% in real terms and by a third in dollar terms this year) has destroyed his political capital. Yatsenyuk is a lame duck prime minister and could be replaced within months. His People's Front party decided not to compete in the Oct. 25 local elections, fielding its candidates under the president's party, and will likely dissolve when this parliamentary convocation concludes.

Lower-than-expected turnout reflects public distrust

The local elections came amid this widespread disappointment and exhaustion from the Donbas war, economic depression and ongoing corruption. This was confirmed was the lower-than-expected voter turnout of 46.6% percent. A common expectation was 60 percent and some polls had turnout potentially reaching as high as 74 percent. The low turnout is particularly alarming considering the wide range of candidates and political parties competing.

Poroshenko has renewed public distrust in the government by impeding reforms rather than supporting them. In the critical battle against corruption, top U.S. government officials – ranking as high as U.S. Assistant Secretary of State Victoria Nuland – have criticized the Prosecutor General's Office, directly under the president's control, for blocking efforts to prosecute corrupt officials and undermining the attempt to create an independent Specialized Anti-Corruption Prosecutor's Office and National Anti-Corruption Bureau.

There's little positive that can be tangibly felt by the average Ukrainian. New police patrols have been introduced in most cities, which have given the public a greater sense of everyday security. Yet structural reforms remain absent. The corrupt courts remain so, and tax authorities continue to be the biggest impediment for SMEs, according to a recent poll. Ukraine's position improved in the World Bank's Doing Business index, but the main changes were introduced already under the Yanukovich administration. Amid all this, utility rates for electricity and natural gas have swelled, which has only further frustrated the public.

Decentralization on the horizon

Ukraine's parliament is gearing up for a series of constitutional amendments that are intended to decentralize the government and grant more authority to local councils. Hence the reason the local elections law was amended in July in order to ensure that the establishment parties would gain the most votes. The president was interested in retaining as much of the authority as possible that is being decentralized.

Yet it's widely believed that the decentralization proposal doesn't accomplish much and we share that view. Much of the functions of the network of state regional administrations, which are the local representatives of the Presidential Administration, will be merely shifted to executive committees that are overseen by prefects appointed by the president. Instead, serious decentralization reform proposals call for the complete liquidation of the president's network of regional administrations. Such proposals were tabled by Poroshenko and his allies, who argued that the nationwide framework is necessary to maintain in a time of war.

Key parties

What's important to consider is that of the six current parliamentary factions, only one of them, the Fatherland party, existed ten years ago. Most of the current factions emerged only since the EuroMaidan. Although Solidarity existed on paper since 2001, the president activated it only last year. The Opposition Bloc is the remnants of the wrecked Party of Regions, but different nonetheless without Yanukovich. The Svoboda nationalists only gained prominence in 2012. This is reflective of just how fluid the Ukrainian political scene is. It's possible that most of the current parties won't exist in a decade, let alone in five years.

Solidarity Petro Poroshenko Bloc – the president's party that is the source of a full range of patronage that is valuable to business. Its main sponsor is Poroshenko and its head is Yuriy Lutsenko, a EuroMaidan leader who was imprisoned under the Yanukovich administration.

Self-Reliance (Samopomich) – a youth-oriented party that positions itself as pro-SME and committed to progressive reforms, but hasn't been very radical in its actions. Its main sponsor is Andriy Sadovyi, the mayor of Lviv, Ukraine's seventh-largest city, and its head is Oleh Bereziuk, his political confidante and image consultant.

Opposition Bloc – a Russian-oriented party that is composed largely of refugees from the Party of Regions, which disintegrated after the EuroMaidan. Its main sponsor is Rinat Akhmetov, the nation's largest industrial magnate, and its head is Yuriy Boyko, an insider in the nation's natural gas transit and production industry.

Ukrop – a populist party named after the volunteer battalion launched by the Kolomoisky team that has attracted nationwide support based on the team's successful paramilitary defense against the terrorists. Its main sponsor is industrial magnate Igor Kolomoisky and its head is Hennadiy Korban, his longtime business associate and political confidante who was arrested and detained on Oct. 31.

Fatherland – a populist party that is largely thriving off the lasting popularity and charisma of its main sponsor and head Yulia Tymoshenko, a political prisoner under the Yanukovich administration and former prime minister. Its main political position in the last year has been criticizing utility rate hikes.

Freedom (Svoboda) – a nationalist party that has garnered the protest vote against Poroshenko after several party leaders were detained following the Aug. 31 violence outside the parliament building. Its head is Oleh Tiahnybok, who is believed to have many sponsors depending on the political landscape.

Our Land – a newly formed populist party making its debut in these elections that is composed of Party of Regions exiles and regional political chiefs and magnates. It has five co-chairs who also serve as its co-sponsors, including Kharkiv magnate Oleksandr Feldman.

Key trends

Ukraine remains on pro-Western course

The electoral trends are mostly encouraging in regards to Ukraine's pro-Western course. Such parties have retained a significant presence on many councils of the southeastern regions, thereby not squandering the momentum of the EuroMaidan and October 2014 parliamentary elections. Most notably, the city council of Dnipropetrovsk, Ukraine's fourth-largest city, has 38.5 percent of its deputies firmly in the pro-Western camp, almost equal to the Russian-oriented camp. Remarkably, 45.4 percent of the elected councilmembers of Zaporizhia, Ukraine's sixth-largest city after Donetsk, belong to firmly pro-Western parties. These are dramatic changes from the 2010 local elections that indicate the younger generations are increasingly Western-oriented.

The situation was discouraging in Kharkiv, Ukraine's second-largest city that's just 40 kilometers from the Russian border. Parties with a firmly pro-Western position earned only 18.8 percent of the vote. In Odesa, Ukraine's third-largest city, firmly pro-Western parties earned only 23 percent of the seats on the city council, a disappointing result in a city that seemed to have a breakthrough with the EuroMaidan.

It's our view that pro-Western forces have lost ground in Kharkiv and Odesa because its residents have suffered from lost trade with Russia and want to bring it back to pre-war levels. Elected Kharkiv Mayor Hennadiy Kernes said as much in one of his first interviews after his victory, declaring his priority will be to work to renew economic activity with Russia. It's also clear that Odesa hasn't felt the devastation of the war as acutely Dnipropetrovsk and Zaporizhia, which are closer to the conflict zone. Its residents aren't as concerned about the threat of an expanding conflict and the presence of volunteer battalions there, including Ukrop, wasn't as strong.

President's party losing support

The Solidarity Petro Poroshenko Bloc remains the leading pro-Western force, though it has lost significant support throughout the country since last year's parliamentary election. Interestingly, the president's party didn't benefit from the cease-fire that has been in place since Sept. 1. For example, its 33.9 percent of the vote in Dnipropetrovsk in 2014 (including the People's Front) shrunk to 7.5 percent this year, while the 31.0 percent share in Zaporizhia in 2014 (including the People's Front) shrunk to 12.5 percent this year. In the capital, its 42.4 percent share (including the People's Front) plunged to 27.6 percent.

The factors behind Poroshenko's falling support vary by region. In western and central Ukraine, there is dissatisfaction with his willingness to create the special status in occupied Donbas, enabling the terrorists to take political office and become law enforcement authorities. Nor are people thrilled with elections being planned in the occupied territories in the presence of Russian soldiers and without the Ukrainian government re-establishing control of the border.

The eastern regions are also disappointed with Poroshenko's handling of the war, with the widely held view that it was unnecessary and the president should have done more for peace. In the meantime, Kolomoisky and his team have earned more trust with all they've done for the region's military defense in launching numerous volunteer battalions. This week, key members of the Kolomoisky team were arrested for kidnappings and even an alleged murder as part of alleged corruption within this paramilitary defense. It's unclear whether that will affect Ukrop's public standing.

As a result, Solidarity's support has been drifted in various directions, but mostly towards Tymoshenko's Fatherland in rural and Ukrop in urban centers. This trend was most apparent in Dnipropetrovsk, where Ukrop earned 25 percent of the vote compared to 7.5 percent for Solidarity, and in Zaporizhia, where Ukrop earned 14.1 percent compared to 12.5 percent for

Solidarity. Even in Lviv, Ukrop earned 5.9 percent of the vote. It was among six parties benefitting from the fall of Solidarity, which earned 50.0 percent in that city last year, including the People’s Front. Solidarity has since fallen to a dismal 12.9 percent.

Parties’ positioning and results – mapping

	Geopolitics		Position towards gov’t		Result vs. last year
	Russian-oriented	Pro-EU	Coalition	Opposition	
Solidarity		✓	✓		↓
Self-Reliance		✓	✓		≡
Opposition Bloc	✓			✓	↑
Fatherland		✓	✓		↑
Radical Party		✓		✓	↓
Ukrop		✓		✓	↑
Freedom				✓	↑
Result vs. last year	↑	≡	↓	↑	

Source: Mass media, Concorde Capital research

Opposition Bloc, Self-Reliance are key rivals to Solidarity

After these elections, the Russian-oriented Opposition Bloc remains a key player in the southeastern regions, despite the devastation of its predecessor Party of Regions after the EuroMaidan revolt. It won council seats in three of Ukraine’s six largest cities. The party earned first-place results in Dnipropetrovsk and Zaporizhia. The party lost all its support in Kharkiv, where it had trouble registering for the elections. Instead, Kernes very efficiently transferred its organizers and members into the newly launched Renaissance party. And the Opposition Bloc finished third in Odesa, where the re-elected mayor did the same with his Trust Actions party.

With these elections, the Self-Reliance has affirmed itself as the number two political force in Ukraine despite its slipping support. It’s the only party, besides Solidarity, to have council seats in all six of Ukraine’s largest cities (excluding Russian-occupied Donetsk). Its ongoing support in Ukraine’s southeastern regions marks a generational shift in which urban youth are attracted to the party’s young professionals as candidates. For example, Kyiv mayoral candidate Serhiy Gusovsky is a restaurateur and Kharkiv mayoral candidate Taras Sitenko is an entrepreneur. Self-Reliance’s success has elevated its sponsor, Lviv Mayor Andriy Sadovyi, to the national stage in joining the top competitors for the presidency.

Populists, nationalists gain at the expense of “radicals”

We were expecting Oleh Lyashko’s Radical Party to steal the protest vote against Poroshenko from the Freedom nationalists and take the populist electorate from Tymoshenko’s Fatherland party. The opposite happened instead. In the case of the Freedom party, we joined others in prematurely forecasted its demise following the Aug. 31 fatal explosion outside the parliament building that killed four and injured more than 130 National Guardsmen. A party member and war veteran was detained for throwing the grenade. Yet Ukrainian leaders never seem to miss an opportunity to resurrect their dying opponents. The further arrest and detention of party

leaders – who had no apparent relation to the attack – managed to spark a new wave of public support for Freedom, which collected most of the protest vote.

Meanwhile, Fatherland made impressive gains in these elections from last year, more than any other party except possibly Ukrop. The party was especially strong in the Radical Party's strongholds of rural, central Ukraine, which were hit hardest by the utility hikes that the Fatherland party was most active in criticizing. We attribute the Radical Party's losses to a poorly organized campaign with little advertising. Though the "radicals" have their own political prisoners, the Freedom party was far more active in the campaign, plastering cities with billboards of their war veterans, an effective technique. Notably, the Radical Party failed to qualify at all in Kyiv and Lviv, where Freedom gained 8 and 10 percent respectively. Instead the "radicals" were relegated to numerous councils in central and northern Ukraine, which are their strongholds.

Public support for Tymoshenko is almost even with Poroshenko, according to polls conducted throughout this year. These election results will only bolster her standing and prospects for the presidency. Although the next presidential vote isn't scheduled to occur until 2020, we believe early elections are likely, given the uninspiring and even dangerous political path Poroshenko has taken.

Donbas elections cancelled, runoffs scheduled

Second-round runoff elections for mayor are scheduled for Nov. 15 in at least 27 Ukrainian cities, including the capital Kyiv, the fourth-largest city Dnipropetrovsk, the sixth-largest city Zaporizhia, the seventh-largest city Lviv, the eighth-largest city Kryviy Rih and the ninth-largest city Mykolayiv. Vitali Klitschko will likely win re-election as Kyiv mayor and Andriy Sadovyi will likely be re-elected as Lviv mayor. Both of them have working relations with the president, with Klitschko being a particularly close ally.

Canceled elections were limited to the Ukrainian-controlled territory of Donbas and are also scheduled for Nov. 15. The most important election will be in Mariupol, Ukraine's tenth-largest city and key industrial hub, where election officials cited too many errors on ballots that were printed at a factory owned by Rinat Akhmetov, also an election violation. Elections were also cancelled in the Donetsk town of Krasnoarmiysk (pre-war population 64,500) after officials cited problems of printing and distributing ballots. In the Luhansk region, elections were canceled in a district in Severodonetsk (pre-war population 109,000) and in the town of Svatove (pre-war population 18,000) because of ballot errors.

Results by largest cities

Elections were held for village councils, town councils, district councils, city councils, district in city councils and regional (oblast) councils. The main functions of city councils are to designate land use and ownership, manage local maintenance and utilities, manage municipal enterprises and determine budget spending for schools, medicine and the poor. The main functions for regional councils are almost identical.

We chose to focus on how the parties performed in the elections for the city councils of the six largest cities (excluding Russian-occupied Donetsk). Using that standard, the Solidarity and Self-Reliance parties were the most successful, having qualified for all six councils. The Opposition Bloc and Ukrop parties each earned seats in three city councils. And the Fatherland, Our Land and Freedom nationalist parties each earned seats in two of the six largest city councils. However, this does not offer a complete picture of which parties did best nationally. For example, parties such as Fatherland, Freedom, Our Land and Oleh Liashko's Radical Party performed better in mid-sized cities, towns and rural areas, which was reflected in the regional council results (see map on Page 11).

Kyiv Results

Solidarity was the best performing party, earning the most seats in the six largest city councils and regional councils. Some have decided to interpret this as the public's affirmation of the president's policies. Indeed the party's result for the Kyiv City Council was impressive at 27.6 percent. We see other factors at play such as an effective party organization, intense advertising campaign and documented abuse of administrative resources. Another factor was strong candidates. The election law was written in such a way that required many strong independents to have to seek a "roof" under a party that was likely to surpass the 5% threshold. Therefore, candidates with strong political teams like Ihor Balenko, the owner of the Furshet supermarket chain, and media mogul Dmytro Gordon joined Solidarity, enhancing its dominant position.

We don't view Solidarity's first-place finish as support for Poroshenko's course. It's usually the case in Ukrainian politics that the president's party is most popular, simply because of its status as a broker of patronage. What's more revealing is that Solidarity's results are dramatically lower from last year across-the-board (which include the People's Front party), as evidenced by its 42 percent performance last year in Kyiv. Its Kharkiv result was 6.8 percent compared to 23.1 percent last year and Odesa was 17.5 percent compared to 28.4 percent. Meanwhile, Poroshenko's ratings as president are dismal nationally.

Boxing legend Vitali Klitschko was elected Kyiv mayor last year and enjoyed a strong first-place finish in this vote, with a high likelihood he will win re-election in the runoff. Just months earlier, he folded his party, the Ukrainian Democratic Alliance for Reform, in order to unite his resources with Solidarity. Needless to say, Klitschko has a tight political alliance with the president that was forged in April 2014 after the EuroMaidan. As part of that deal, he agreed to compete for Kyiv mayor instead of the presidency.

Therefore, we expect Klitschko to be fully compliant with the president's goals in city politics and a key source of support for the president in dealing with mass protests, which we believe are inevitable in a year or so, given the way things are going. We expect Klitschko's five years will be distinguished by an enormous amount of construction projects, including residential, class A real estate and public improvement work, which were his most notable accomplishments in his first year as mayor. His entourage includes the city's biggest builders and developers, who are interested in pursuing many lucrative projects.

Kharkiv Results

The residents of Kharkiv, Ukraine's second largest city, re-elected Hennadiy Kernes as its mayor, who is distinguished for his opposition to the EuroMaidan and his success in suppressing pro-Russian separatists afterwards. Kharkiv is an important city because of its heavy industry that includes the Malyshev military hardware and tank factory and the Turboatom turbine plant. These elections enabled Kernes, first elected in 2010, to reinforce his complete dominance over the city, not only winning a landslide in the mayoral race but also enabling his Renaissance party to dominate with 53.4 percent of the vote. The overwhelming support for Kernes, whose political history is plagued by scandal and corruption, is rooted in the residents' desire for stability, above all else.

This is especially the case with the city being located near the Russian border and about 240 kilometers from the conflict line. Although the EuroMaidan had a significant presence in Kharkiv (which Kernes viciously fought against), the majority of the city's residents didn't support it and prefer stability and close ties to Russia, on which its economy is largely dependent on. This was confirmed by the Self-Reliance party's candidate, Taras Sitenko, finishing in a distant second with 12.3 percent of the vote.

Since the EuroMaidan, Kernes has been effectively balancing the need to toe the president's line on Euro-integration with the city's Russian-oriented population. He earned a new respect from local residents by effectively shutting down an attempt by separatists to launch a revolt in the city in March-April 2014, avoiding the destruction that was wrought upon Donetsk. He also survived an assassination attempt afterwards, suffering a gunshot wound that tore through his body and made it difficult for him to walk.

Most importantly, Kernes has a working relationship with the president. He currently faces criminal charges in relation to the EuroMaidan, including allegedly ordering kidnapping and torture of activists, even allegedly threatening two of them with death. With the overwhelming support of his city, we expect no punishment more serious than a suspended sentence if Kernes is convicted of these charges, which could also disappear. It's possible these criminal charges were brought against Kernes – during an election campaign no less – at the behest of Interior Minister Arsen Avakov, who is his longtime business and political rival in the city. Avakov is aligned with Prime Minister Yatsenyuk.

Odesa Results

Ukraine's third largest city and biggest port, Odesa, re-elected Hennadiy Trukhanov, another EuroMaidan opponent who also succeeded in extinguishing any threat posed by pro-Russian separatists. Odesa has been long-targeted by the Kremlin for separatist activity because of its significant Russophile population. That's one of the reasons Poroshenko appointed Mikheil Saakashvili as his regional administration head to represent the Presidential Administration there, given the former Georgian president's extensive experience in dealing with Russian aggression. In turn, Saakashvili fielded a mayoral candidate aligned with him, American IT executive Sasha Borovik, who finished in second place with 25.7 percent. Afterwards, they alleged the vote was falsified and called for mass protests on the evening of Oct. 28, drawing only a few hundred people.

And they were met by a few hundred in support of Trukhanov, who earned 52.9 percent and avoided the second-round runoff. Trukhanov built a business empire by launching one of Ukraine's first security companies following the Soviet collapse. He was an active member of the Party of Regions, leading its faction in the Odesa City Council before getting elected to parliament in 2012. During the EuroMaidan, he dismissed its leaders as "a bunch of provocateurs who want to return to power" and voted for the "dictatorship laws" that were aimed at severely restricting individual freedoms.

Trukhanov was elected Odesa mayor in May 2014 in a special election after his predecessor resigned. In holding the Oct. 25 vote, Trukhanov was widely criticized for organizing fraud. The Committee for Open Democracy, the third-largest election observer in Ukraine, cited carousel

voting, a lack of protocols, bribing of voters by candidates and too many ballots at some polls. “These problems call into question the accuracy of results,” said executive director Brian Mefford. Saakashvili accused Trukhanov of manipulating the vote in order to prevent a second-round runoff, which Borovik had a chance of winning.

Although it would have been more favorable for the president to have Borovik as his Odesa mayor, Trukhanov has had a solid working relationship with Kyiv so far and we see no reason why that can’t continue. A politician who is pragmatic, perhaps to an extreme, Poroshenko has demonstrated to be more than willing to work with former Party of Regions members, welcoming them into his party. The Odesa organization of the Opposition Bloc, largely a collection of Regions exiles, has already declared its intention to cooperate with Trukhanov’s Trust Actions party in the City Council, which earned about 33 percent, compared to 18 percent for Solidarity and 21.4 percent for the Opposition Bloc.

Dnipropetrovsk Results

No election was as hotly contested in Ukraine as the race for mayor of Dnipropetrovsk, Ukraine’s fourth-largest city and as big of an industrial hub as Donetsk. The region contains some of the nation’s largest natural resource reserves, including iron ore and coal, and is the site of some of the largest factories, including the Yuzhmash aerospace and military hardware plant, the factories of Interpipe, all the nation’s iron ore mines and one of its biggest coal mines in Pavlohrad.

Currently, oligarchs Akhmetov and Kolomoisky are battling for control of assets in the region, with Kolomoisky seeking to take advantage of Akhmetov’s weakened position following the EuroMaidan and outbreak of the Donbas war. They sponsored the top candidates in the mayoral race, which gave 37.9 percent to Akhmetov’s man, Oleksandr Vilkul, and 35.8 percent to Kolomoisky’s man, Borys Filatov.

Needless to say, the runoff promises to be a vicious battle, if not violent. It’s hard to imagine either candidate acknowledging the other’s victory in the event the margin is only a few thousand votes. Vilkul was also a EuroMaidan opponent, serving as vice prime minister at the time, and is widely believed to be responsible for violent persecutions against activists in the city where he earlier served as regional administration head.

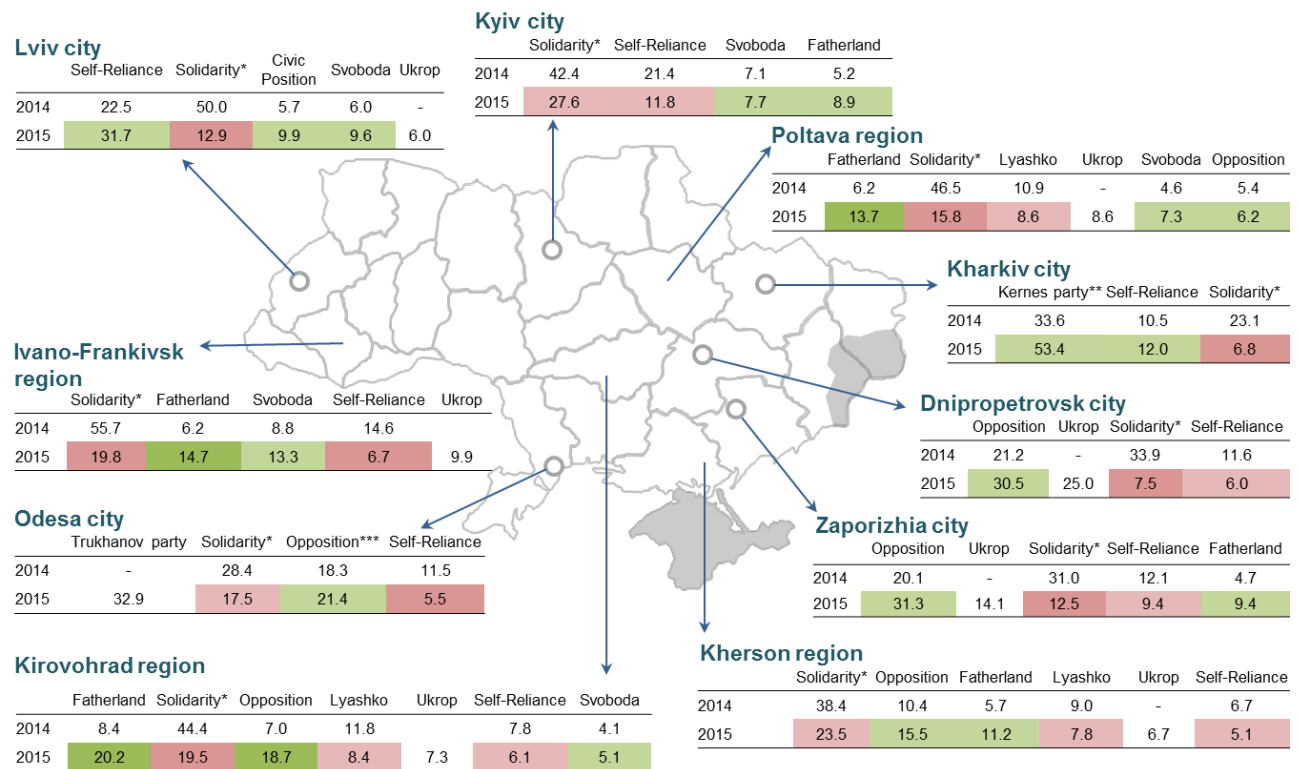
On the other hand, Filatov lent support for the EuroMaidan as part of the Kolomoisky team and led the defense of the Dnipropetrovsk region when separatists began taking control of Donbas towns and cities. The recent arrest of Hennadiy Korban could swing the vote in favor of Filatov, his close political partner. Ukrainians have an affinity for jailed politicians, with the view that they must be doing something right to have upset the corrupt establishment. At the same time, Korban is charged with kidnapping, far more serious than some administrative violations or theft. So he might not gain sympathy. Another Akhmetov-Kolomoisky rivalry will occur in Pavlohrad, about 75 kilometers east of Dnipropetrovsk, where the top manager of Akhmetov’s mine, Anatoliy Vershyna, will compete against a local miner, Yevhen Terekhov, a wounded veteran of the Donbas war.

There is mounting concern that a pro-Russian belt could emerge in Ukraine with the re-election of Kernes in Kharkiv, the re-election of Trukhanov in Odesa and the possible election of Vilkul in Dnipropetrovsk. Firstly, we don’t see Kolomoisky’s team acknowledging Vilkul’s victory unless there’s a large gap. But even if Vilkul wins, we view all these politicians as business-oriented and pragmatic, without any ideological loyalty to Russia. As in the case of Kernes, they need to employ pro-Russian rhetoric to reinforce public support. Yet their interest is maintaining the status quo, which is an oligarchy that’s free to indulge in business and corruption and enjoy being shielded from Russian interference, whether financial or military. Moreover, although southeastern Ukrainians want close economic ties with Russia, they have demonstrated they’re not interested in any separatist activity and favor Western values and institutions over Russia’s mafia-style government.

Zaporizhia Results

In Ukraine's sixth-largest city, another key industrial center, independent Volodymyr Buriak will compete against Mykola Frolov of the president's Solidarity party. Buriak is the chief engineer of Zaporizhstal, the city's largest factory and among Ukraine's largest steel factories, controlled by Akhmetov. On the other hand, Frolov is the head of the local university. Having finished first with a sizable margin in the first round, Buriak should become the next mayor. We also expect strictly pragmatic relations with Kyiv without any separatist threat, especially with the sudden strength demonstrated by firmly pro-Western parties.

Selected 2015 local elections (prelims) vs. 2014 Rada elections, % gained in the same area



* 2014 results for Solidarity include the result of People's Front; ** 2014 result for Kernes party includes the result of Opposition Bloc; *** 2015 result for Opposition Bloc includes Serhiy Kivalov's Sea Party
 Source: Mass media (2015), Central Election Commission (2014), Concorde Capital research

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