



CONCORDE CAPITAL

Ukraine / Politics

Presidential election 2010

Yanukovych, Tymoshenko advance to runoff

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Election results*

Viktor Yanukovych	35.51%
Yulia Tymoshenko	24.88%
Sergiy Tigipko	13.04%
Arseniy Yatseniuk	6.97%
Viktor Yushchenko	5.41%
Petro Symonenko	3.55%
Volodymyr Lytvyn	2.34%

* 86.58% of ballots counted, as of 12:00
January 18. Source: Central Election Commission

Government overview

Type	Democratic republic
Format	Presidential-parliamentary
Independence	August 24, 1991

Presidential election watch list

Official election results	By Jan. 27
Second round vote*	Feb. 7
Second round results*	By Feb. 17
Inauguration*	By Mar. 17

* Exact dates yet to be announced; subject to change. Source: Central Election Commission

Candidate reactions

"Voting results indicate that about two-thirds of Ukrainians want change. And that is most important." – Viktor Yanukovych

"The democratic forces will be united. We will do everything so that in the future they will act in a single and powerful force to move the country toward European civilization." – Yulia Tymoshenko

"My voters are smart people and they can decide for themselves who to support in the second round." – Sergiy Tigipko

- **Yanukovych & Tymoshenko emerge as yesterday's top two vote-getters and advance to a second round of voting**
- **We see the period of now until the runoff, likely to be held on Feb. 7, as being more active, as the top candidates finally have incentive to negotiate**
- **The first round's biggest loser is Viktor Yushchenko who completed his fall from Orange Revolution celeb to lame duck**

Yanukovych, Tymoshenko pass to second round

Ukrainian voters hit the polls yesterday to decide Ukraine's fourth president since Independence. Early results, which were in line with published exit polls (see Appendix 1), confirmed our expectations that no candidate would win more than 50% of yesterday's vote and that Yanukovych and Tymoshenko would advance to the second round. Moreover, we have held that Tymoshenko is a capable challenger to Yanukovych in the second round and her ~10 pp gap is very surmountable, in our view. We see this period from now until the second round as being more active. With the follow up shaping up to be a close contest, the top candidates will be vying to boost their standing and yesterday's losers to secure their political futures and for a place to cast their support. Official results could take days to tabulate; the most likely runoff date is February 7.

Quick calls

- **Biggest loser:** Viktor Yushchenko, now officially a lame duck, had been in denial about a second chance at fulfilling lost Orange Revolution promises
- **Biggest winner:** Sergiy Tigipko gave up his business empire, reentered the political arena, placed third, and now looks set to stick around
- **Biggest surprise** is perhaps that official results appear to be bearing out the predictions of pre-election opinion surveys and exit polls – which were widely viewed as biased/"purchased"

Risk of serious legal challenges to results low

Interior Minister Yuriy Lutsenko said in a TV interview last night that police registered only minor incidents yesterday and that the election was "rather calm". The OSCE observer mission is due to hold a press conference this afternoon to disclose their preliminary report. We believe the risk of legal challenges to the results is low, given the gap between the top two candidates and the rest of the pack, with the latter deigning to accept their loss.

Post-election issues hanging in the balance

- **Cooperation with the International Monetary Fund:** Ukraine's USD 16.5 bln standby loan agreement was put on the rocks due to a lack of political consensus in late 2009. On January 14, IMF Head Dominique Strauss-Kahn said "I am confident that as soon as this normally shaky electoral period will be over, it will be possible to resume a normal relationship."
- **Cabinet of Ministers & Central Bank appointments:** Ukraine has been without a Finance Minister, Defense Minister, and Transportation & Communications Minister for months. Depending on the outcome and subsequent negotiations in parliament, the entire Cabinet could be reformatted. In addition, the new President will name a new Central Bank Governor; Volodymyr Stelmakh's term officially expired in December.
- **Privatization:** Political infighting has seen several headline assets prepped for sale only to be derailed; 2010 could finally be the year they reach the auction block: Ukrtelecom (UTLM), Odesa Portside Plant, Turboatom (TATM), and Oblenergos or even GenCos. Luhanskteplovoz' (LTPL) reprivatization is also on the table.
- **"Reboot" in Russia relations:** Viktor Yushchenko's anti-Russia antagonism will end with his presidency. Either Yanukovych or Tymoshenko will be more pragmatic. Key issues here include: gas purchase and transit agreements, and the modernization of Ukraine's gas transit system.
- **EU/NATO aspirations:** Work on Ukraine's new association and free trade agreement with the European Union would continue under Yanukovych or Tymoshenko. The candidates differ on the pursuit of closer NATO ties

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Round two contender profiles



Candidate	Viktor Yanukovich	Yulia Tymoshenko
Political affiliation	Party of Regions	Yulia Tymoshenko Bloc (BYuT)
Polling numbers in second round*	57.9%	39.1%
Financial sponsors**	Akhmetov (SCM), Firtash (Rosukrenergo), Klyuev (Ukrpodshipnik), Boguslayev (Motor Sich), Yankovskiy (Stirol), Pinchuk (EastOne)	Zhevago (F&C), Vasadze (UkrAvto), Kolomoyskiy (Privat), Poroshenko (Ukrprominvest), Taruta (IUD)
Policy vectors	<ul style="list-style-type: none"> • Resume cooperation with IMF in 2010 • Improve relations with Russia; take accession to NATO, EU off the table • Limited privatization • Exchange rate stabilization 	<ul style="list-style-type: none"> • Resume cooperation with IMF in 2010 • Improve relations with Russia & EU; put accession to NATO on backburner • Increased privatization • Strong hryvnya
Campaign promises	<ul style="list-style-type: none"> • Bring Ukraine into G-20 by 2020 • Increase FDI to USD 50 mln by 2014 • Review gas agreements with Russia • Make Ukraine neutral state; stay out of NATO • New tax code: 5-year tax holiday for SME, cut VAT to 17% and income tax to 19% in 2011 • Increase population to 50 mln by 2020 • Renew mortgage lending at rates not exceeding 7% p.a. • Grant Russian language status of official minority language • Rank 3 universities among world's top 500 • Transition to contract army in 2011 	<ul style="list-style-type: none"> • Eliminate influence of oligarchs in politics • Root out corruption in courts and ensure their independence • Build new oil & gas pipelines, modernize refineries, strengthen gas transit capacity • Increase support to manufacturing and defense • Create 300 ths jobs in nanotechnology sphere • Tax breaks for banks that lend to startups • Tax-exemption for investors that establish new production facilities for 10 years • Renew mortgage lending at European rates • Return savings lost in USSR Savings Bank • Transition to contract army
Post-election scenarios***	<p>We observe three scenarios: (1) Yanukovich & Tymoshenko agree to share power, (2) the defectors from the Tymoshenko Bloc and Our Ukraine join the Party of Regions to form a new coalition in the Verkhovna Rada, or (3) Yanukovich fails to negotiate a friendly Rada configuration and dissolves parliament.</p> <p>We estimate scenario #3 is most likely. With new parliamentary elections, if Yanukovich-friendly parties form a majority in the Rada, we believe Ukraine might see an effective and stable government as soon as July-August.</p>	<p>In our view, Tymoshenko would be likely to find support in a rejuvenated majority coalition in the current Verkhovna Rada between her eponymous Yulia Tymoshenko Bloc, Our Ukraine and the Lytvyn Bloc.</p> <p>With the Verkhovna Rada and the Cabinet of Ministers lining up behind Tymoshenko, we believe Ukraine might see an effective and stable government in short order following inauguration in March.</p>
Election platform word count	Investment: 5. Economy: 3. Democracy: 2. Courts: 1. Corruption: 0. Global: 4. EU: 1. Russia: 1. NATO: 0.	Investment: 4. Economy: 2. Democracy: 2. Courts: 8. Corruption: 5. Global: 5. EU: 1. Russia: 1. NATO: 0.
Potential Prime Minister candidates	Yulia Tymoshenko (if compromise), Mykola Azarov, Sergey Tigipko	Oleksandr Turchinov, Hryhoriy Nemyrya, Sergey Tigipko
Previous national government posts	Prime Minister, 2002-2004, 2006-2007 Governor of Donetsk Oblast, 1997-2002	Prime Minister, 2005, 2007-Present Vice Prime Minister of Fuel & Energy, 1999-2001
Previous business experience	20-years as executive at automobile repair and transportation companies in Eastern Ukraine	CEO, United Energy Systems, 1995-1997 General Director, Ukrainian Gasoline, 1991-1995
Campaign bank account holder	First Ukrainian International Bank, controlled by Party of Regions' Rinat Akhmetov	Brokbiznesbank, controlled by Sergey and Aleksandr Buryak, the former a member of BYuT
Personal data	Age: 59. Married. Two children. Place of birth: Enakievo, Donetsk region	Age: 48. Married. One child. Place of birth: Dnipropetrovsk
Education	MA in international law, Ukrainian Academy of Foreign Trade	Candidate degree in economics, Dnipropetrovsk State University
Web presence	www.yanukovich.com.ua	www.tymoshenko.ua

* According to Kyiv International Institute of Sociology (December 12-24); results adjusted to exclude those that did not plan to vote. ** Information on financial sponsors is not purported to be accurate as by its nature it is based on unofficial information; it was culled from media reports, Concorde Capital sources and the blogs of Ukrainian political commentators and journalists. *** See our October 29 political report for more details. Source: Kyiv International Institute of Sociology, candidate websites, party websites and media reports.

Appendices

Appendix 1: Exit poll results

Exit poll results round-up

First round exit poll results

Candidate	National Poll	ICTV	R&B
Yanukovych	31.5%	34.5%	37.7%
Tymoshenko	27.2%	25.6%	26.1%
Tigipko	13.5%	13.8%	11.6%
Yatseniuk	7.8%	7.0%	7.1%
Yushchenko	6.0%	5.7%	5.1%
Symonenko	2.8%	3.0%	3.0%
Lytvyn	2.2%	2.3%	2.1%

Exit poll notes

National Exit Poll 2010 (Democratic Initiatives, Kyiv International Institute of Sociology, Razumkov Center for Economic & Political Studies): 12,456 participants at 240 polling stations. Margin of error: $\pm 1.3\%$.

ICTV (GfK) exit poll: 25,105 participants. Other data not published.

Research & Branding Group exit poll: 10,000 participants at 500 polling stations. Margin of error: $\pm 1.0\%$.

Appendix 2: Pre-election survey results

Public opinion survey results round-up

First round survey results

Candidate	KIIS	Dem. Initiatives	R&B Group	FOM-Ukraine
Yanukovych	30.3%	33.6%	33.3%	29.0%
Tymoshenko	15.8%	19.2%	16.6%	14.0%
Tigipko	7.1%	9.2%	7.4%	6.0%
Yatseniuk	4.2%	6.1%	6.7%	6.0%
Symonenko	2.9%	3.4%	3.4%	5.0%
Yushchenko	3.7%	3.7%	3.8%	4.0%
Lytvyn	2.5%	2.6%	4.1%	3.0%
Against all	7.1%	5.3%	9.0%	9.0%
Undecided	19.4%	11.1%	9.0%	16.0%
Will not vote	4.0%	-	3.5%	6.0%

Note: Democratic Initiatives adjusted their survey results to exclude respondents that did not intend to vote

Second round survey results

Candidate	KIIS	Dem. Initiatives	R&B Group	FOM-Ukraine
Yanukovych	43.3%	42.9%	46.7%	38.0%
Tymoshenko	29.2%	27.4%	30.0%	24.0%
Against all	13.9%	18.7%	13.2%	22.0%
Undecided	9.5%	9.2%	6.5%	10.0%
Will not vote	4.1%	1.8%	3.6%	6.0%

Note: Democratic Initiatives "will not vote" includes participants that said they would vote in the first round but not in the second

Survey notes

According to Ukrainian law, the last day for the publication of public opinion surveys before elections was January 2.

Kyiv International Institute of Sociology survey: Conducted December 12-24, 2009. 4,074 participants. Margin of error: $\pm 2.3\%$.

Democratic Initiatives & Ukrainian Sociology Service survey: Conducted December 12-26, 2009. 2,010 participants. Margin of error: $\pm 2.3\%$.

Research & Branding Group survey: Conducted December 5-13, 2009. 3,083 participants. Margin of error: $\pm 1.8\%$.

FOM-Ukraine survey: Conducted December 17-22, 2009. 1,000 participants. Margin of error $\pm 4\%$.

Appendix 3: 2010 presidential election timeline

Date	Event
January 27	Deadline for Central Election Commission to publish official voting results in official government newspapers. In the event one candidate wins outright in the first round, inauguration should take place no later than 30 days after the publication of official results
February 7	Potential date for second round of voting
February 17	Deadline for Central Election Commission to publish official voting results of second round in official government newspapers (if the second round of voting takes place on Feb. 7).
By March 17	Inauguration should take place no later than 30 days after publication of official voting results of the second round

Source: Central Election Commission

Appendix 4: Ukrainian political system

Ukraine is a semi-presidential republic. It declared independence from the Soviet Union on August 24, 1991. The government has three branches: executive, legislative and judicial. Ukraine has 24 oblasts (regions), one autonomous republic and two cities with special status. Ukraine's capital is Kyiv. Ukraine's current constitution was adopted June 28, 1996 and was amended December 8, 2004.

Verkhovna Rada of Ukraine. Ukraine's Verkhovna Rada (Supreme Council in Ukrainian) is a unicameral parliament with 450 seats. The Verkhovna Rada amends the Constitution of Ukraine, adopts laws, approves the state budget, ratifies and denounces international treaties, declares war and peace, and appoints officials and judges. The Verkhovna Rada can dismiss the Cabinet of Ministers. The Verkhovna Rada can override a presidential veto with a two-thirds majority. The Verkhovna Rada is presided over by a speaker. Seats in the Verkhovna Rada are distributed on a proportional basis among political parties based on the results of a nationwide vote (to parties whose vote total exceeds a 3% barrier).

President of Ukraine. Ukraine's president is the head of state. The Ukrainian president is elected by popular vote for a five-year term. The current president, Viktor Yushchenko, was inaugurated on January 23, 2005; his term expires January 23, 2010. The Ukrainian president has the power to:

- Guarantee independence, territorial integrity, national security, the Constitution of Ukraine and basic human rights and freedoms
- Disband the Verkhovna Rada if it does not form a majority coalition within a month, appoint the government within 60 days or convene for an ordinary session for 30 days
- Nominate several key government positions to the Verkhovna Rada for approval: the Prime Minister proposed by the majority coalition, the Minister of Foreign Affairs, the Minister of Defense, the Prosecutor General, Head of the Security Service of Ukraine (SBU), and Head of the National Bank of Ukraine
- Sign into effect or veto laws passed by the Verkhovna Rada
- Suspend acts passed by the Cabinet of Ministers if they contradict the Constitution of Ukraine and challenge the acts in the Constitutional Court

Cabinet of Ministers of Ukraine. Ukraine's Cabinet of Ministers is the highest body of executive power. Ukraine has 20 ministries and there are 25 positions in the Cabinet (including the Prime Minister and Vice Prime Ministers). Nominations to the Cabinet, made by the Prime Minister or President depending on the position, are affirmed by the Verkhovna Rada. The Cabinet of Ministers term is for the duration of the parliamentary convocation or coalition. In Ukraine, the Prime Minister is the head of the executive and presides over the Cabinet of Ministers. The Prime Minister is appointed by the Verkhovna Rada, following submission by the President of Ukraine of the nominee from the majority coalition in the Verkhovna Rada. The Prime Minister nominates the heads of government ministries, the State Property Fund, the Antimonopoly Committee to the Verkhovna Rada for approval. The current prime minister, Yulia Tymoshenko, was confirmed on December 18, 2007.

Constitutional Court of Ukraine. Ukraine's Constitutional Court is charged with interpreting the Constitution of Ukraine and decides whether laws and legal acts are unconstitutional. The court is composed of 18 judges, appointed in equal shares by the president, Verkhovna Rada and the Congress of Judges. Judges are currently appointed for a single nine-year term.

Court system in Ukraine. The judicial system in Ukraine has four levels of courts of general jurisdiction: local courts, appeals courts, high courts and the Supreme Court. High courts include the High Administrative Court of Ukraine, which rules on administrative cases, and the High Economic Court of Ukraine, which rules on economic and commercial cases. The highest level is the Supreme Court of Ukraine. Supreme Court appointments are made by parliament and have no term limits. The Supreme Court is regarded to be an independent and impartial body.

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