

Ukraine Local Election Preview

Yanukovich allies primed to increase grip on power

Event: Mayor and local council elections set for Oct. 31

Ukrainians will hit the polls this Sunday, October 31 to decide on leaders and council members for their cities, villages and the Autonomous Republic of Crimea. A vote will be conducted in all election districts for fresh four-year appointments, except for the Kyiv mayor, Kyiv City Council members (both of which were elected in 2008) and Ternopil Regional Council members (elected in 2009).

Implications: Consolidation of power to extend locally

- We see minimal potential impact, if any, from local elections on Ukrainian equity or fixed income markets.
- President Viktor Yanukovich's Party of Regions looks certain to increase its grip on power, which since his inauguration in February has extended to the Presidential Administration, Verkhovna Rada (parliament) and the Cabinet of Ministers; Constitutional Court decisions have also favored Yanukovich.
- A regional east-west split is likely to persist, with the east going to the Party of Regions and the west fragmented among opposition parties.
- Once local elections are over and with parliamentary elections still two years away, the government could turn to badly needed and unpopular economic reforms. A makeover of the tax system, due to be discussed by the Rada in November, will be a key test of political mettle.

Risks: Protests unlikely despite accusations of fraud

Even after nationwide elections for parliament and president in 2004-2010 recognized by international monitoring groups to be free and fair, legitimacy is the key risk. Accusations of vote-rigging have already been made by the opposition over "extra" stockpiles of ballots uncovered in several Ukrainian regions. Due to high political malaise among the population and disunity among opposition forces, we estimate the risk of social unrest following the election as low.

Report date 28 Oct 2010

Pre-election opinion poll results

| Political party preference | |
|----------------------------|-------|
| Party of Regions | 29.0% |
| Tymoshenko Bloc | 13.5% |
| Strong Ukraine | 12.0% |
| Front of Changes | 5.4% |
| Svoboda | 3.6% |
| Lytvyn Bloc | 3.2% |
| Communist Party | 3.1% |

Source: Razumkov Center (Sept. 30-Oct. 4)

Government overview

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

Administrative divisions

| | |
|-----------|--------|
| Regions | 24 |
| Districts | 490 |
| Cities | 459 |
| Villages | 28,460 |

Ukraine map by region



Note: Ukraine is administratively divided into 24 regions and one autonomous republic, Crimea. The cities of Kyiv and Sevastopol have special status.

Appendix: Pre-election survey results

Public opinion survey results

| Political party | Razumkov | KIIS |
|------------------------------|-----------------|-------------|
| Party of Regions | 29.0% | 27.7% |
| Tymoshenko Bloc | 13.5% | 8.3% |
| Strong Ukraine (Tigipko) | 12.0% | 6.6% |
| Front of Changes (Yatseniuk) | 5.4% | 4.3% |
| Svoboda | 3.6% | 2.8% |
| Lytvyn Bloc | 3.2% | 0.8% |
| Communist Party | 3.1% | 3.4% |
| Against all | 12.2% | 8.6% |
| Undecided | 12.8% | 20.4% |
| Will not vote | - | 9.5% |

Survey notes

Razumkov Center survey: Conducted September 30-October 4. 2,007 participants. Margin of error: $\pm 2.3\%$.

Kyiv International Institute of Sociology (KIIS) survey: Conducted October 8-17. 2,038 participants. Margin of error: $\pm 2.3\%$.

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