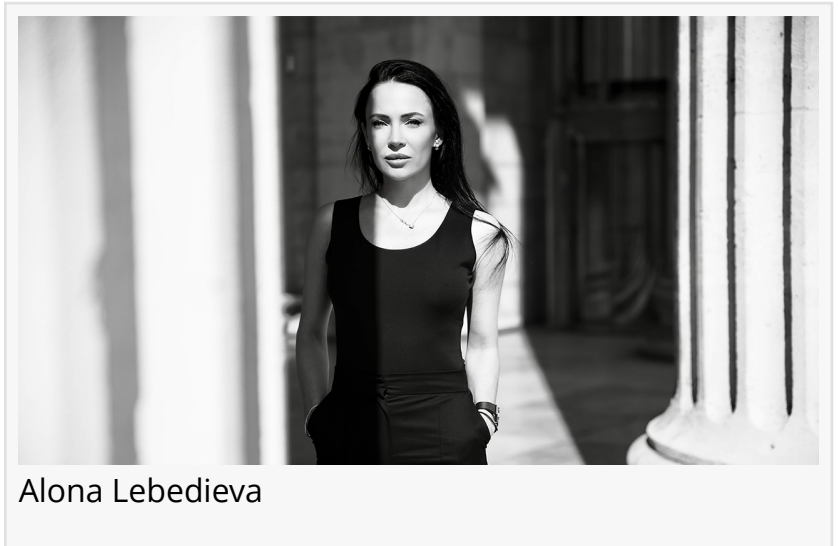


Violations of Localization Requirements in Public Procurement: Challenges for the Ukrainian Economy – Alona Lebedieva

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[/EINPresswire.com/](https://EINPresswire.com/) -- Localization in public procurement is one of the important reforms to support Ukrainian manufacturers and strengthen the national economy. However, a recent study by the analytical center CMD Ukraine revealed significant problems in the field of public procurement, including violations of localization requirements in 27.8% of procurements in August 2024. Out of 568 tenders on the Prozorro platform, 158 were conducted with procedural violations.



Alona Lebedieva

Examples include the procurement of a JCB excavator by the Honcharivska Village Council, which was entered into the register not by the manufacturer, as well as the acquisition by NNEGC “Energoatom” and the Dnipropetrovsk Locomotive Repair Plant of goods that did not meet localization requirements. Another telling example is the company “Weatherford Ukraine,” which, according to economic expert Vitaliy Kulyk, continues to cooperate with state enterprises despite its close ties with Russia and Belarus. The company is a subsidiary of the international group Weatherford, which has been included in the list of international war sponsors. However, this did not prevent it from concluding 102 tender agreements worth 3.08 billion UAH with state enterprises such as “Ukrgezvydobuvannya” and “Ukrnafta.”

Although these are individual cases, they raise serious doubts about proper control over compliance with legislation and indicate the need to check most tenders for possible abuses and fraud.

“Particularly alarming is that products were entered into the state register of localized goods not by the manufacturers. Numerous cases were also recorded where significant components of the purchased goods were Chinese or Turkish, which were attempted to be presented as Ukrainian products,” emphasizes Alona Lebedieva, owner of the multi-profile industrial and investment

group of companies "Aurum Group."

Last year, Ukraine spent over 1 trillion UAH on public procurement. About 40% of these funds were spent on imported goods, although many of them have Ukrainian counterparts. Since mid-2022, changes to the Law "On Public Procurement" have come into force, according to which the degree of production localization during procurement, if the cost of the goods is equal to or exceeds 200,000 UAH, should be 20% (with a subsequent increase of 5% annually up to 40%). However, this law is not properly enforced.

One of the key elements of the localization policy is the Register of Goods with Confirmed Degree of Localization, which was launched in the second half of 2022 in accordance with the provisions of the Law on Public Procurement. Goods included in this register are entitled to participate in tenders with localization requirements. The administration of the register is carried out by the Ministry of Economy. However, there are suspicions that goods that probably do not meet localization requirements have been entered into the register.

"The Government of Ukraine should pay special attention to ensuring transparency and accountability in public procurement, as well as conduct an audit of the state register of localized goods. This is important not only for strengthening the domestic market but also for increasing trust from European partners who invest in Ukraine and support it on the path to integration into the European economy," says Lebedieva.

For the European community, which supports Ukraine on the path to reforms and economic development, such problems in procurement may indicate insufficient readiness of Ukraine for economic progress and the implementation of democratic principles.

"As representatives of the business community, we are convinced that Ukraine has every chance to become a strong player on the international arena. But this is possible only under the condition of fair rules for all market participants. Transparency, compliance with the law, and fairness in the procurement process are key elements for building trust both within the country and at the international level," Alona Lebedieva is confident.

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