

Alona Lebedieva: Localization is needed, but corruption undermines all its benefits

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[/EINPresswire.com/](https://EINPresswire.com/) -- Ukraine seeks to reduce imports in government procurement to 5% — similar to the approach of most developed EU countries and the US. According to the plan, the share of the local component (localization) should increase from the current 20% to 25% this year, and by 2028 it will potentially reach 40%. The government is confident that this will give a boost to enterprises that produce everything from generators, transformers to ambulances, garbage trucks, locomotives and even airplanes. However, in practice, significant difficulties arise.



Alona Lebedieva

“Many tenders are financed by donors who operate according to separate rules,” says Alona Lebedieva, the owner of the Ukrainian multi-profile industrial and investment group Aurum Group. “It is also not uncommon for Chinese or Turkish components to be presented as Ukrainian. The problem is also in the formula for determining the localization percentage: it is unclear how to properly divide production and administrative costs, and the list of documents required to confirm the cost structure can be interpreted differently due to complex supply chains. In addition, the issue of depreciation of imported equipment remains unresolved – should it be included in “local” costs or not? All this can easily lead to endless lawsuits and accusations of fraud.

Lebedieva also highlights the selective attitude towards offenders. According to her, if we are talking about a large or “close” to the government company, regulatory authorities can turn a blind eye to shortcomings in documentation or discrepancies in the actual share of localization. In contrast, small businesses are subject to much stricter control, risking turning the idea of supporting a domestic manufacturer into a pure formality.

Another problem area is the register of goods with a confirmed degree of localization, which came into force in 2022. Theoretically, only goods included in this register are allowed to

participate in tenders with localization requirements. However, entrepreneurs claim that products that do not meet the specified criteria have already been included in the register. Moreover, some claim that the entries were not made by manufacturers, but by fictitious companies that exist only on paper, without any capacity or real production.

The Cabinet of Ministers acknowledges a certain “selectivity” of inspections, but promises stricter rules and tighter control to prevent manipulation. Officials also emphasize the need for a broader import substitution program so that Ukrainian factories produce more domestic components, rather than simply purchasing imported spare parts and formally covering them with “localization”.

According to Law No. 1977-IX, the requirements for Ukrainian content already cover a wide range of equipment and machinery: from public transport and drilling rigs to hydroturbines and aviation equipment. The idea is to encourage domestic producers to enter new markets while reducing the country’s dependence on foreign suppliers.

“Whether localization will become a real pillar for Ukrainian industry or remain a formal indicator depends on the honesty and transparency of compliance with these rules, and especially on proper supervision of the register of goods with confirmed localization,” Lebedieva concludes. “There is currently a significant gap between high declarations and the real state of affairs. Without equal conditions for all market participants, strict control over the register, and personal responsibility for violations, we will not achieve a strong economy and trust in the procurement system — neither in Ukraine nor abroad.”

Reference: localization refers to the share of Ukrainian materials, components, labor, and other costs included in the final product. Its main goal is to give an advantage to domestic producers and reduce the country’s dependence on imports.

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