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Ukraine's President Viktor Yanukovych (L) greets the European Commission's Stefan Fuele in Kyiv on Jan. 11.

(Andriy Mossienko)

reforms that are needed to more closely integrate Ukraine with the 27-nation bloc, a goal he repeatedly says remains a priority.

At stake is a total of \$159 million in grant money to improve Ukraine's transportation infrastructure and introduce energy-saving technologies, among other items.

Through a bilateral agreement brokered in December, the EU pledged the assistance for Ukraine.

A first tranche of \$42 million from this amount set aside as EU budget support to Ukraine was supposed to have already been disbursed.



While the EU had previously raised its concerns about democratic freedoms in Ukraine, the aid freeze shows for the first time that the EU is also concerned with the country's economic policy."

- Ihor Shevliakov, a senior analyst at the Kyiv-based International Center for Perspective Studies.

year into Yanukovych's presidency.

The fact that the EU froze support to Ukraine "is a very serious political signal," said Ihor Shevliakov, a senior analyst at the Kyiv-based International Center for Perspective Studies.

"While the EU had previously raised its concerns about democratic freedoms in Ukraine, the aid freeze shows for the first time that the EU is also concerned with the country's economic policy," Shevliakov said.

Through Ukraine's existing procurement system, everything from state agencies to schools and hospitals purchase equipment and services.

Deals are often conducted without transparent or competitive tenders. Reports allege that prices for services and goods are commonly inflated by well-connected insiders as a means to siphon budget funds for personal profit.

Teixeira told Kommersant news organization that the EU resorted to tough action because the law on state tenders adopted in July was weakened by amendments providing for numerous exceptions to sole-bid tenders.

On Jan 11, Ukraine's parliament amended the law by excluding energy commodities and utility services from competitive bids. Previously no-bid state tenders were approved for the Euro 2012 soccer championships, justified by time constraints.

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The EU clearly warned Ukraine on Dec. 29 with this statement: "The European Union has drawn the attention of the government of Ukraine to the fact that public procurement should continue developing based on principles of transparency, openness and compliance with international standards. Deviations from these principles may put in jeopardy Ukraine's eligibility for further budget support from the European Union."

A spokesperson for Ukrainian Prime Minister Mykola Azarov said government will review the situation.

"There were some technical questions from the EU side. We've agreed on the law on public procurement with the World Bank and if some issues remain [to be solved], the government will review them," the spokesperson said.

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Many tenders [in Ukraine] are won by sole bidders – bad for corruption, and bad for Ukrainian taxpayers.”

- Leigh Turner, British ambassador.

Meanwhile, Yanukovich recently expressed alarm. “In 2010, despite fierce resistance, we adopted the law on public procurement. But now there are constant attempts of revenge in order to exclude from the law some spheres of public procurement,” he said on Feb. 22.

At least 5 percent of Ukraine’s gross domestic product – estimated at \$150 billion -- flow through the murky state procurement system,

according to some estimates.

“Many tenders [in Ukraine] are won by sole bidders – bad for corruption, and bad for Ukrainian taxpayers,” British ambassador Leigh Turner said in his blog on the KyivPost website on June 30. As a result of one-bid tenders, experts say a few insiders are getting rich while Ukrainian citizens are not getting the best goods and services at competitive prices.

“The establishment of a legislative framework for public procurement that corresponds to international standards has been and remains a condition for the World Bank to provide budget support to Ukraine,” Martin Raiser, World Bank country director for Ukraine, Belarus and Moldova, said. “We hope that with our assistance Ukraine will be able to establish soon a framework for public procurement that complies with international good practices.”

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