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# **The Republic of Korea's Country Partnership Strategy for Ukraine**

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**The Government of the Republic of Korea**

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# I. Overview

## CPS Goal for Ukraine

To support sustainable growth by strengthening Ukraine's economic and social infrastructure and capacity

## National Economic Strategy (NES 2030)

To achieve economic growth, enhanced national competitiveness, and national and social integration through smart growth, balanced growth, and inclusive growth

- **(Goal)** More than double the GDP by 2030 through investment vitalization
- **(International Relations)** Join the EU and NATO and reintegrate temporarily occupied territories
- **(Politics)** Strengthen democracy and the rule of law, eradicate corruption, and strengthen public services
- **(Economy)** Achieve the decarbonization of the economy, introduce the digital economy as an economic growth engine, strengthen the market economy system, and produce cutting-edge, high-value-added products
- **(Society)** Improve the quality of life among the population including fostering high-quality human resources, preventing brain drain, and enhancing gender equality, health, and energy

## Korea's Assistance Objective

- Support Ukraine to establish itself as a distribution and production hub linking Europe and the CIS states through the modernization and expansion of the transportation infrastructure
- Enhance competitiveness in the textile industry through the improvement of outdated equipment and textile production
- Enhance productivity and strengthen the potential to become a global agricultural powerhouse through the modernization of outdated agricultural machinery and establishment of smart farms
- Support the improvement of health and hygiene conditions and strengthen access to medical services
- Support the transition to the digital economy by utilizing the growth potential of possessing an excellent IT workforce
- Contribute to the enhancement of transparency and efficiency in public administration and eliminate corruption through the transition to e-government

<b>Direction of Assistance in Each Priority Area</b>	<b>Transportation</b>	<ul style="list-style-type: none"> <li>▪ (SDG 9.1) Contribute to the vitalization of trade through the improvement of the underdeveloped transportation infrastructure and expansion of infrastructure networking</li> <li>▪ (SDG 11.2) Provide integrated support for the large-scale construction of railway and port infrastructure and transfer advanced transportation technology by linking grants and loans</li> </ul>
	<b>Industry</b>	<ul style="list-style-type: none"> <li>▪ (SDG 9.5) Support industrial development based on technological innovation utilizing advanced human resource capabilities</li> <li>▪ (SDG 2.3) Improve agricultural productivity in the recipient country, as one of the world's top-three grain producers, and support smart farms</li> <li>▪ (SDG 9) Modernize outdated facilities in the textile industry and foster high-quality textile production technology</li> </ul>
	<b>Health/ Hygiene</b>	<ul style="list-style-type: none"> <li>▪ (SDG 3.8) Improve access to health care for the underprivileged by building hospitals, providing equipment support, nurturing the workforce, and reforming health care finance</li> <li>▪ (SDG 3) Disseminate successful cases of linkage between grants and loans across the Central Asia area</li> </ul>
	<b>Public Administration</b>	<ul style="list-style-type: none"> <li>▪ (SDG 16.6) Support the establishment of efficient and transparent governance and economic development through supporting digital government incorporating ICT, etc.</li> <li>▪ (SDG 16.6) Restore the trust of the domestic and global community by strengthening the competitiveness of public administration</li> </ul>

## II. Analysis

### [1] Priority Areas for Cooperation

- **(Criteria for the Selection of Priority Areas)** Key considerations include Ukraine's **national development strategies** and implementation plans for each area, **bilateral policy consultations** between the donor and recipient countries, **Korea's comparative advantages**, linkages with previous projects, Ukraine's income level and **economic growth prospects**, **coordination of assistance** with other donor countries and international organizations, etc.
  
- **(Priority Areas for Cooperation)** **Transportation, industry, health and hygiene, and public administration** have been selected as priority areas for cooperation.
  - 1) **Transportation** : Support ▲ the improvement of outdated transportation infrastructure, ▲ transfers of advanced transportation technologies, and ▲ provide integrated support for infrastructure construction such as large-scale railways and ports.
  - 2) **Industry** : ▲ Support industrial development based on technological innovation, ▲ promote the improvement of agricultural productivity through smart farms, etc., and ▲ support fostering high-quality textile production technology.
  - 3) **Health and Hygiene** : ▲ Improve access to health care for the underprivileged by building hospitals, providing equipment support, nurturing the workforce, and reforming health care finance, and support the ▲ strengthening of the infectious disease response capacity.

- 4) **Public Administration** : Support ▲ **digital government** incorporating ICT (e.g. establishment of an e-government master plan), and the  
▲ establishment of an **anti-corruption system**.

## (2) Reasons for the Selection of Development Priorities

### 1 Transportation

#### (Development Needs)

- Ukraine's **decrepit transportation and logistics infrastructure** poses an **obstacle to economic growth**.

\* Facing a consistent decline in the Logistics Performance Index (LPI) since 2015 (1.9-2.85), the Ukrainian government is seeking to achieve an LPI of 3.6 by 2030.

- The Ukrainian government, through the NES 2030, sets the goals including the ▲ **development and modernization of the transport infrastructure**, ▲ **effective management of the transport infrastructure**, ▲ **regulation of the transport sector**, ▲ **realization of transport potential**, and ▲ **decarbonization of the transport sector** by 2060.

\* The government announced more than USD 60 billion in investment plans for roads, railroads, aviation, and seaports to modernize and reorganize the transportation infrastructure.

- **(Infrastructure Development)** Development and improvement of inland waterways, ports, railways, roads, and aviation; improvement of urban and local transportation; promotion of integration of international transportation corridors; and development of multimodal transportation.

- **(Strengthening the Capacity of Institutions and Systems)**  
**Establishment of the** transport-related **National Commission for State Regulation**, structural reform of the **Ukrainian Railways** and the **Ukrainian Sea Ports Authority (USPA)**, **improvement of airport management**, and transition of the concession process with regard to port operation (NES 2030).

### **(Korea's Aid Capacity)**

- Korea possesses **world-class transportation and logistics capabilities**, achieving high ranks in the WEF Global Competitiveness Report (2019) in the categories of transportation infrastructure (5th), road infrastructure quality (9th), railways service (4th), airport service (3rd), and port service (11th).
- Korea **operates an global logistics information system based on world-class ICT**, and has **experience in building smart logistics systems** such as the digitization of social overhead capital and the establishment of next-generation intelligent transportation systems through the Digital New Deal policy.

## **[2] Industry**

### **(Development Needs)**

- The Ukrainian government lists the country's strengths for economic growth as ▲ **industrial infrastructure in various fields** such as military, aviation, shipbuilding, and energy, ▲ **high scientific and technological capabilities**, ▲ **geographical advantage of linking Europe and Asia**, and ▲ **the possession of a black soil (chernozem) zone** as one of the world's three major grain producers.

- \* During the Soviet era, Ukraine was in charge of production for strategic industries such as steel, shipbuilding, and aerospace, eventually becoming the one of seven countries in the world with the technology to design and manufacture space launch vehicles and one of eight countries with the domestic technology for aircraft design and manufacturing (Ukraine 2021 Strategy, KOTRA).
- Despite Ukraine's high level of science and technology based on advanced human resources, factors such as inefficient systems, outdated infrastructure, and low market maturity are deemed to undermine national competitiveness.
- \* The Global Innovation Index 2021 ranked Ukraine as 49th out of a total of 132 countries (in comparison to major neighboring countries such as Czech Republic ranking 24th, Hungary 34th, Bulgaria 35th, etc.) due to the comparatively low standard of its systems (91st), infrastructure (94th), and market maturity (88th).
- The Ukrainian government aims to expand its participation in global production networks through technological modernization and innovation of infrastructure and industrial complexes, revitalize investment attraction, achieve transition to an industrial structure with a focus on cutting-edge industries, and improve national competitiveness by 2030.

### **(Korea's Aid Capacity)**

- Korea possesses a high level of global industrial competitiveness, ranking **23rd overall out of 64 countries in the IMD National Competitiveness Assessment**, 18th in basic infrastructure, 17th in technological infrastructure, and 2nd in scientific infrastructure (IMD 2021).
- Korea is **promoting pilot projects** in Ukraine such as the creation of a smart farm and establishment of a smart distribution system based on its solid ICT competitiveness, while **Korean research institutes are providing support such as agricultural environment surveys, consulting, and dispatching of experts for the transfer of knowledge to local smart farms.**



### **3 Health and Hygiene**

#### **(Development Needs)**

- **Ukraine scored a red rating (“major challenges remain”) on SDG 3 on good health and well-being.** While disease-related indicators including tuberculosis incidence and infant survival rates are gradually improving, there is a **serious issue of non-communicable diseases due to recent trends of population aging and urbanization.**

\* Tuberculosis incidence (per 1,000 persons): 114 (2000), 110 (2010), 91 (2015), 84 (2017), 77 (2019).

\*\* Under-five child mortality (per 1,000 children): 18.3 (2000), 11.7 (2010), 9.5 (2015), 8.9 (2017), 8.4 (2019).

\*\*\* 2nd in the world for heart disease mortality rate, 2nd in Europe for cancer and tuberculosis mortality rate (WHO, 2017).

- Ukraine faces challenges such as **outdated hospitals and medical equipment and supplies** left over from the socialist free health care system of the Soviet Union era, and **poor access to medical care for the low-income class** due to high patient charge.

\* Medical treatment at public hospitals is free of charge, but the share of personal expenses for medicine is 75 percent.

\*\* In the case of national and public hospitals, the central government supplies the necessary products to each hospital. However, it is common for facility improvement not to be made in a timely manner and there is serious problem of corruption in the public procurement process.

- The Ukrainian government **instituted health care reforms** in November 2016 with support from aid organizations such as the World Bank, Switzerland, the United States, and the WHO.

- **(Financial System Reform)** Reorganize the health financial system towards “patient-centered” support; expand the operation of family doctors; **introduce a compulsory health insurance system**; expand government support for basic health, palliative care, and emergency medical care to 100 percent; and reduce patient charge for medicine.
- **(Modernization of Medical Systems and Facilities)** Expand **electronic medical care for computerized management of medical information**; improvement of outdated hospital facilities; and reform of vaccine procurement and supply systems.
- **(Improvement of Medical Quality)** Approve a medical reform package to improve medical efficiency and quality, including **improving the medical education and licensing examination system to an international level and implementing a treatment protocol in line with global standards** (Medical Reform Act enacted and effective from Jan.1, 2018).
- **The COVID-19 pandemic has served as an opportunity to raise awareness towards the seriousness of Ukraine’s vulnerable health care system**, and in particular, the health crisis has spread among vulnerable groups such as the elderly, women, and residents of conflict zones in the east due to limitations in **health service provision capabilities**.

#### **(Korea’s Aid Capacity)**

- As a member of the Executive Board of the WHO, Korea possesses comprehensive assistance capabilities in the health care sector, including not only **support for basic health and medical services**, but also **health systems and governance systems such as the national health insurance system, health information system, and remote medical services**.

- Recognized by the global community for the excellence of its unique style of quarantine and infectious disease management capabilities throughout the COVID-19 global pandemic, **Korea is supporting production research to expand the global vaccine supply and leading international cooperation in vaccine supply.**

## **4 Public Administration**

### **(Development Needs)**

- **The inefficiency of public administration inherited from the Soviet Union era** is pointed out as a major factor undermining Ukraine's economic growth (NES-2030).
- **Ukraine faces an urgent need to improve government transparency and efficiency** to establish full independence from the former Soviet Union system and join the global market through accession to the EU and revitalizing investments.
- **With a red rating on SDG 16 concerning public administration**, the Ukrainian government is expressing a strong determination to improve public services and tackle corruption.
  - \* The Ukrainian government endeavors to eliminate corruption through the introduction of the government e-procurement system (ProZorro) (2016), establishment of the Open Data Portal (datat.gov.ua), and revision of the Public Procurement Law (2019).
  - \*\* NES-2030 specifies its major tasks as the restoration of public trust, strengthening a new social contract through transparent, participatory information sharing (Mechanism 1) and achievement of good governance through a paradigm shift in public administration (Mechanism 2).

## **(Korea's Aid Capacity)**

- **Korea is leading the international community in the field of digital government**, taking 2nd place in the 2020 UN E-Government Development Index and 1st in the OECD Digital Government Index.
- Korea has focused on supporting the establishment of ▲ an e-government master plan, ▲ a public participation system, and ▲ a contact-free business implementation system; in addition to **the establishment of a data-based policy-making system** by strengthening the capacity to utilize big data based on its experience in **digital transformation**.

### III. Proposed Assistance

#### [1] Transportation

##### ☐ Basic Direction

- Support **Ukraine in maximizing geographical strength and reinforcing connectivity with the EU** through transportation and logistics development that drives economic development.

##### ☐ Area-specific Goals (Detailed Implementation Plan)

- **(Support for Infrastructure Development Needs)** Support the modernization of decrepit transportation infrastructure and construction of new infrastructure, and review the provision of comprehensive support for its stable operation and management such as the promotion of traffic safety and maintenance technology.
- **(Sharing of Development Experience)** Support the establishment of master plans and action plans for **national and regional roads, railways, airports, and ports** based on Korea's experience of developing various transportation networks to ensure systematic development based on its priorities.
- **(Strengthening of Collaboration System for Infrastructure Support)** Promote technical cooperation and pilot projects including feasibility studies(F/S) to attract public-private partnership (PPP) investment in large-scale transportation infrastructure such as high-speed rail.

- Reinforce cooperation among stakeholders including the government, industry, academia, and research institutes from the project discovery and planning phase in consideration of potential linkages with follow-up projects.
- **(Eco-friendly Transportation)** Contribute to the achievement of the Ukrainian government's goal of decarbonization and carbon neutrality by 2050 through the provision of environmentally-friendly transportation policies, technologies, and services.

## **[2] Industry**

### ☐ **Basic Direction**

- Lay the foundation for economic development through the modernization of outdated industrial infrastructure and support capacity building for the production of high-value-added products through nurturing advanced technologies.

### ☐ **Area-specific Goal (Detailed Implementation Plan)**

#### **(Science, Technology and Innovation) Support Industrial Development Based on Technological Innovation.**

- **(Support for Technology-based Entrepreneurship, Employment, and Commercialization)** Support industrial development based on technological innovation including utilizing Ukraine's strengths of a highly-educated IT, science and technology workforce and existing IT infrastructure, and **fostering startup centers and technology transfer centers.**

- \* The Ukrainian IT market is expected to grow up to USD 5.4 billion in market size (currently experiencing rapid growth of 20 percent per year on average).
- \*\* Internet utilization among the population is steadily increasing, reaching up to 62.5 percent of the population in 2018 and NES-2030 has set a goal of providing high-speed Internet service for more than 95 percent of citizens.

- **(Establishment of Systems in the Science and Technology Sector)** Provide support through Korea's development experience in establishing and implementing innovation policy; establish an industry-academia-research linkage system and reinforce industrial competitiveness; expand investments and policies for the vitalization of R&D; and establish the necessary institutional environment.

- \* As Ukraine has a high ICT maturity (infrastructure, development level), high socio-economic demand for digital transformation, and a high-quality ICT workforce, an industry- and market-oriented approach is needed for establishing and maturing the ecosystem rather than supplying infrastructure. ("A Study on Cooperative Measures in the ICT Field through Categorization of Korea's ODA Priority Partners", KISDI, 2021).

## **(Agriculture) Increase Sustainable Production and Strengthen Marketability**

- Despite its growth potential as an agricultural powerhouse with one of the world's largest grain production capacities, Ukraine suffers from low productivity and focuses on exporting raw materials (**grains**) rather than producing high-value-added crops or processing agricultural products.

- \* The agricultural productivity of Ukraine is half the European average (World Bank); agriculture is mostly led by family-owned small- and medium-sized farms (3,000-5,000 hectares); and public awareness and demand for new agricultural technologies is low.

- \*\* Out of all agricultural market products, 10 percent are produced by smart farming and 6 percent in smart greenhouses. (Ukraine 2021 Strategy, KOTRA).

- **(Support for Strengthening Productivity and Marketability)** Strengthen

marketability by reinforcing the value chain through efforts such as developing food-processing technologies and supporting market linkages, while improving agricultural productivity by introducing smart agriculture and by strengthening farmers' capabilities.

### **(Textiles) Reinforce Global Competitiveness**

- While Ukraine has convenient access to the global market due to its geographical advantage, and is equipped with a skilled workforce and competitive production costs, it is fully dependent on imports for yarn and its production is gradually decreasing due to the emergence of other low-cost rival countries.

\* As Ukraine's textile export procedures were simplified by the Pan-Euro Mediterranean Convention (PEM) signed in 2018, 60-80 percent of its textile and apparel companies are OEMs for overseas brands, and more than 83 percent of total products are exported to EU countries.

\*\* As textile and apparel manufacturers suffered considerable losses due to the decrease in global demand amid the COVID-19 pandemic, relevant industries continue to ask for government support for the growth of the domestic market.

- **(Support for Productivity Enhancement)** Support the replacement of outdated equipment, research on high-quality textiles, and development of production technology.



### [3] Health/Hygiene

#### ☐ Basic Direction

- Support the reinforcement of outdated and insufficient medical infrastructure; fostering of high-quality medical personnel; and strengthening of access to health care for the underprivileged through health care financial reform in order to attain the goal of medical reform in Ukraine.

#### ☐ Area-specific Goal (Detailed Implementation Plan)

- **(Strengthening of the Health Care System)** Reinforce the health care delivery system by improving the decrepit medical infrastructure, and strengthen the capacity required to deliver integrated health care at the regional and national levels
- **(Reinforcement of the Digital Health Capacity)** Contribute to improving access to health and medical services using ICT and improving the quality of health information through efforts such as reinforcing the health statistics capacity and establishing a health information system.
- **(Enhancement of Health Crisis Response and Resilience)** Support the reinforcement of the infectious diseases management system following the COVID-19 pandemic, capacity building for national and regional laboratories, establishment of a disease monitoring system; establishment of an emergency response system, and capacity building for health security personnel.

#### **[4] Public Administration**

##### ☐ **Basic Direction**

- Support the establishment of efficient and transparent governance and **strengthen public trust** through **digital government support** incorporating **ICT**.

##### ☐ **Area-specific Goal (Detailed Implementation Plan)**

- **(Digitalization of Administrative Service Delivery Systems)** Support the establishment of an e-government master plan, an electronic business management system, a digital administrative service delivery system for each sector, and system establishment and capacity building for contact-free business operation.
- **(Reinforcement of Anti-corruption Institutions and Systems)** Support the establishment of an anti-corruption system; strengthen the capabilities of the agency dedicated to combating corruption; raise public awareness; and support policy consulting and system establishment for public disclosure.

## IV. Performance Monitoring Guidelines

### Performance Monitoring Guidelines for Ukraine

ODA's Master Plan: Strategic Goals and Implementation Plan (new)	Priority Areas	Goal(s)	Expected Outcome(s)	Expected Performance Indicator(s)
<ul style="list-style-type: none"> <li>• (Strategic Goal) Inclusive ODA</li> <li>- (Tasks) To Create the Foundation for Economic and Social Development</li> </ul>	Transportation	<ul style="list-style-type: none"> <li>• To establish a transportation network to drive economic development and strengthen connectivity</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of infrastructure for transportation and logistics</li> </ul>	<ul style="list-style-type: none"> <li>• Volume of passenger and cargo (for each means of transport)</li> </ul>
			<ul style="list-style-type: none"> <li>• Strengthening of capabilities of transportation and logistics</li> </ul>	<ul style="list-style-type: none"> <li>• Number of systems and plans reflected in government/institutional policies/strategies</li> </ul>
<ul style="list-style-type: none"> <li>• (Strategic Goal) Innovative ODA</li> <li>- (Tasks) To Strengthen the Recipient Country's Innovative Capacity</li> </ul>	Industry	<ul style="list-style-type: none"> <li>• To support science and technology innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Vitalization of technology-based entrepreneurship and employment</li> </ul>	<ul style="list-style-type: none"> <li>• Number of technology-based start-ups</li> </ul>
		<ul style="list-style-type: none"> <li>• To support the strengthening of agricultural competitiveness and value chains</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening of agricultural productivity</li> <li>• Improvement of agricultural income</li> </ul>	<ul style="list-style-type: none"> <li>• Production scale per unit of labor</li> <li>• Average rural income</li> </ul>
<ul style="list-style-type: none"> <li>• (Strategic Goal) Inclusive ODA</li> <li>- (Tasks) To Strengthen Responses to Global Health Threats</li> </ul>	Health /Hygiene	<ul style="list-style-type: none"> <li>• To strengthen the health care and medical system</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of health and medical facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Coverage rate of essential health services</li> </ul>
		<ul style="list-style-type: none"> <li>• To strengthen digital health capabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening of digital health capabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Number of uses of the digital services and infrastructure provided</li> </ul>
		<ul style="list-style-type: none"> <li>• To strengthen the health crisis response capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening of the health crisis management response system</li> </ul>	<ul style="list-style-type: none"> <li>• Level of capacity reinforcement in international health regulations and response level to public health crises</li> </ul>
<ul style="list-style-type: none"> <li>• (Strategic Goal) Innovative ODA</li> <li>- (Tasks) To Strengthen the Recipient Country's Innovative Capacity</li> </ul>	Public Administration	<ul style="list-style-type: none"> <li>• To digitalize the administrative service delivery system</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of the legal system for digitization</li> </ul>	<ul style="list-style-type: none"> <li>• Number of digitalization-related laws/systems/strategy established</li> </ul>
			<ul style="list-style-type: none"> <li>• Implementation of the digitization of administrative services</li> </ul>	<ul style="list-style-type: none"> <li>• Number of uses of the digital services and infrastructure provided</li> </ul>
		<ul style="list-style-type: none"> <li>• To reinforce anti-corruption institutions and systems</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening of government transparency and public trust</li> </ul>	<ul style="list-style-type: none"> <li>• Satisfaction ratings by the public over the most recent use of public services</li> </ul>