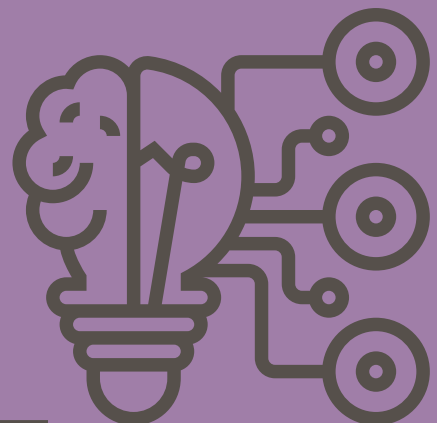


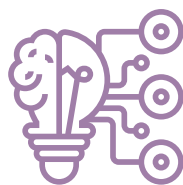
# SHADOW REPORT

FROM MONITORING WORK  
AND EFFECTS OF  
THE SECTOR  
WORKING GROUP ON  
COMPETITIVENESS  
AND INNOVATION

*January – December 2021*







THROUGH  
DIALOGUE TO  
**EU**

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 This project is funded  
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## SHADOW REPORT FROM MONITORING WORK AND EFFECTS OF THE SECTOR WORKING GROUP ON COMPETITIVENESS AND INNOVATION IN THE PERIOD JANUARY – DECEMBER 2021

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# FOREWORD

## SUMMARY ON PERFORMANCE OF SECTOR WORKING GROUPS IN 2021

Shadow Reports from Monitoring Work and Effects of Sector Working Groups in 2019, 2020 and 2021 were developed under the hypothesis that SWGs are important bodies responsible for sector policy creation and monitoring in the Republic of North Macedonia and serve as forum for coordination of donor support for policy implementation.

The sector-wide approach was indicated as comprehensive approach for IPA II, used to assess and determine the state's qualification level in terms of utilization of IPA assistance for full sector support, and was followed by formation of sector working groups over the period 2015-2020. With the start of IPA III programming for the period 2021-2027, institutions continued the sector-wide approach and operation of sector working groups.

While, in formal terms, sector working groups have potential to be policy makers in relevant sectors, SWG monitoring findings in 2021 indicate to regression in terms of their functionality, civil society participation and effects from their work. Modest improvement is noted in respect to transparency in operation, having in mind that institutions responded to more than 85% of information requests made under the instrument for free access to public information, accounting for an improvement by more than 4% compared to 2020. Openness is also noted in terms of increased communication, especially because in 2021 representatives from all 12 SWGs accepted invitations for interview with the project team that monitors their work and performance.

Based on the analysis of meetings held by SWGs, total of 251 responses made by institutions under the instrument for free access to public information, 12 interviews with

IPA coordinators and discussions with 26 civil society organizations that participate in sector groups, flagship monitoring findings on performance of SWGs in 2021 concern the following:



- In 2021, SWGs held a total of 11 plenary sessions and 8 operational meetings, representing a decrease compared to 2020 findings, when they held a total of 19 plenary sessions and 21 operational meetings.
- None from 12 SWGs has complied with the minimum number of plenary sessions on annual level stipulated in their respective rules of procedure or draft rules of procedure, while 4 sector groups<sup>1</sup> did not hold any plenary session during 2021.
- In the case of 5 from 12 sector groups, civil society organizations have not participated in SWG work during 2021. In the case of 4 SWGs, civil society participation was absent due to the fact that the relevant sector group has not held any meeting, while one sector group has not invited civil society organizations to participate in its work.<sup>2</sup>
- SWGs that have held plenary session and invited civil society organizations to attend these meeting did not fully update data on civil society representatives resulting in invitations being sent to erroneous or non-existing e-mail addresses, which additionally narrows the space for civil society participation.
- Although IPA III Regulation anticipates that civil society organizations should be given space for meaningful participation in IPA programming and sector policy development, in the practice there is no actual space for substantial engagement of civil society organizations during plenary sessions and involvement of civil society representatives in operational meetings organized by SWGs.
- While donor coordination is anticipated as part of activities performed by sector working groups, the monitoring tools did not observe agenda items for SWG meetings held in 2021 that focus on donor coordination matters.

1 SWG Justice, SWG Public Administration Reform, SWF Roma Integration and SWG Home Affairs

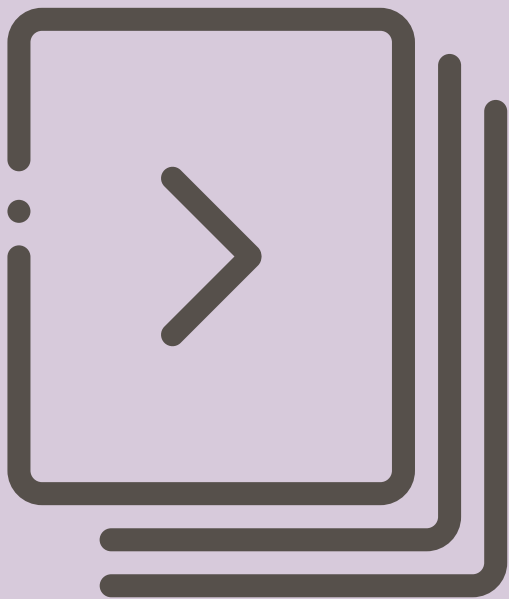
2 SWG Competitiveness and Innovation



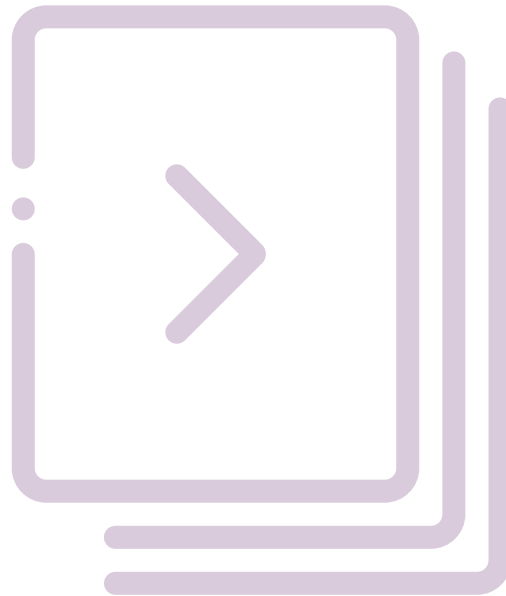
Based on the established state-of-play, encouraging steps have been made in 2021 towards enhanced structural dialogue. In particular, the Secretariat for European Affairs (SEA) initiated the process for amending the rules of procedures for SWGs in order to improve their overall performance and regulate civil society and donor participation. During interviews with representatives from competent institutions it was underlined that they are open to changing the rules of procedure with a view to regulate participation and role of civil society organizations in greater details. Expectations are that predictability of SWG dynamics and functionality will be improved in 2022, by creating the indicative calendar for meetings of all SWGs and by publishing information on phases for future IPA programming, as well as relevant documents for sector policies. Based on responses obtained from civil society organizations, evident is the request for their participation at the level of technical meetings that would allow them to be involved in all stages of policy development and adoption.

## HOW TO MOVE FORWARD?

SEA must urgently open consultations around the new rules of procedures for SWGs, which should include provisions that improve meaningful participation of civil society organizations, primary by ensuring availability and access to materials and information of operational nature, as well as by organizing inception training for new representatives to ensure thorough understanding of sector policy processes and IPA programming. These trainings should also target civil society representatives from Sector Monitoring Committees. The new rules of procedure should regulate in details the procedure for selection and work of civil society representatives, including the method for consultations with the broader civil society. Adherent actions are needed to implement plans aimed at improving participation, work predictability and transparency of SWGs.



# GENERAL INFORMATION



## SECTOR WORKING GROUP ON COMPETITIVENESS AND INNOVATION

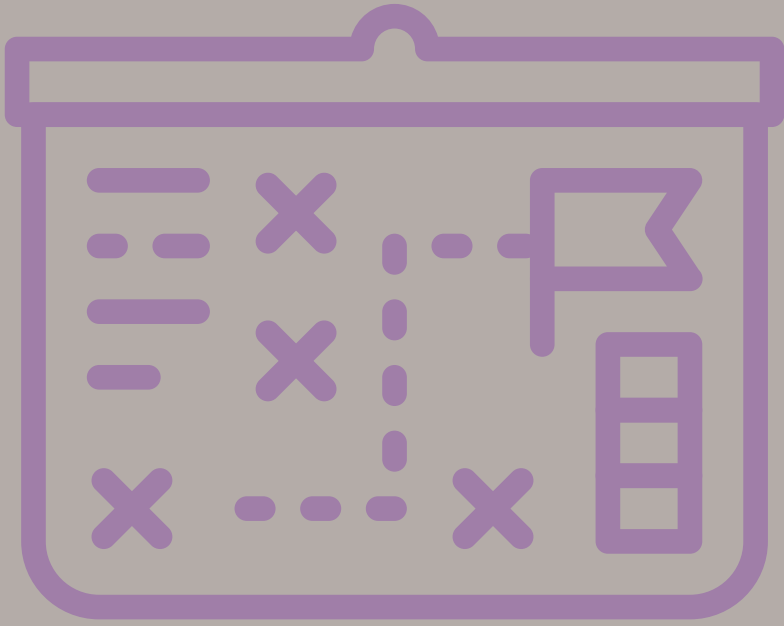
**FORMED:** 2015

**NUMBER OF SWG MEMBERS:** this information is not publicly available and was not secured under the instrument for free access to public information

**CSO MEMBERS:** 0

**NUMBER OF MEETINGS HELD IN 2021:** one meeting, on 09.03.2021

**SWG CHAIR:** Deputy Prime Minister for Economic Affairs, Coordination of Economic Resources and Investments



# METHODOLOGY APPROACH

For the purpose of this report, the project team combined several research methods for data collection, processing and analysis. Research work was comprised of desk analysis and field/online research.

The desk research component included in-depth analysis of documents, laws and strategies that are of significance for this sector working group (*for more information see [BIBLIOGRAPHY](#)*). Moreover, the project team submitted **freedom of information requests** to the Cabinet of the Deputy Prime Minister for Economic Affairs competent for operation of this sector group. Responses to information requests were obtained after an appeal lodged before the Agency for Protection of the Right to Free Access to Public Information.

As regards field/online component, the project team **interviewed**<sup>3</sup> the coordinator from the ranks of civil servants at the Cabinet of the Deputy Prime Minister for Economic Affairs and engaged in conversations with representatives from chambers of commerce.

According to the monitoring methodology, performance of sector working groups is assessed in respect to five segments:

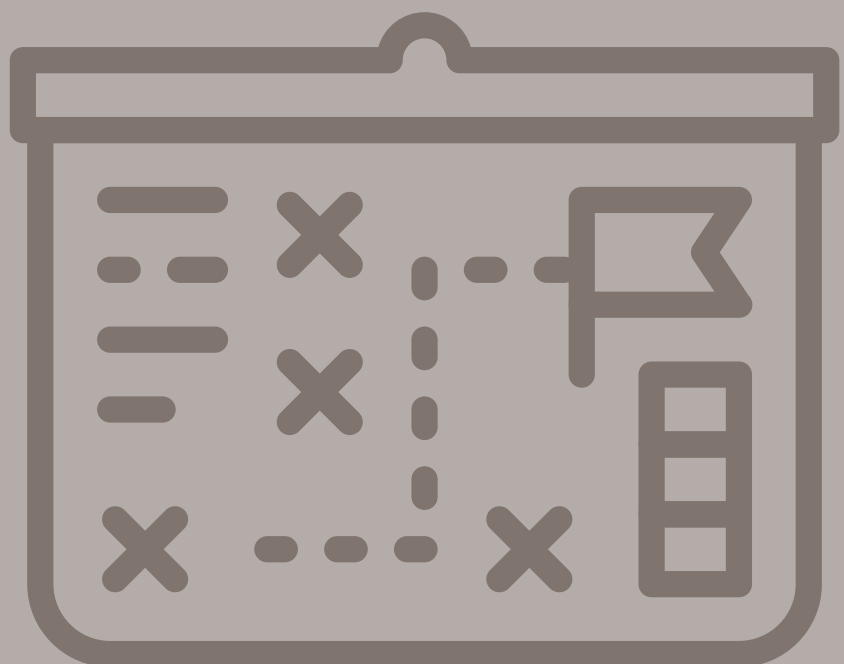
- SWG functionality;
- civil society participation in SWG;
- CSO capacity for contribution and participation in SWG work;
- effects from SWG work, and
- IPA.

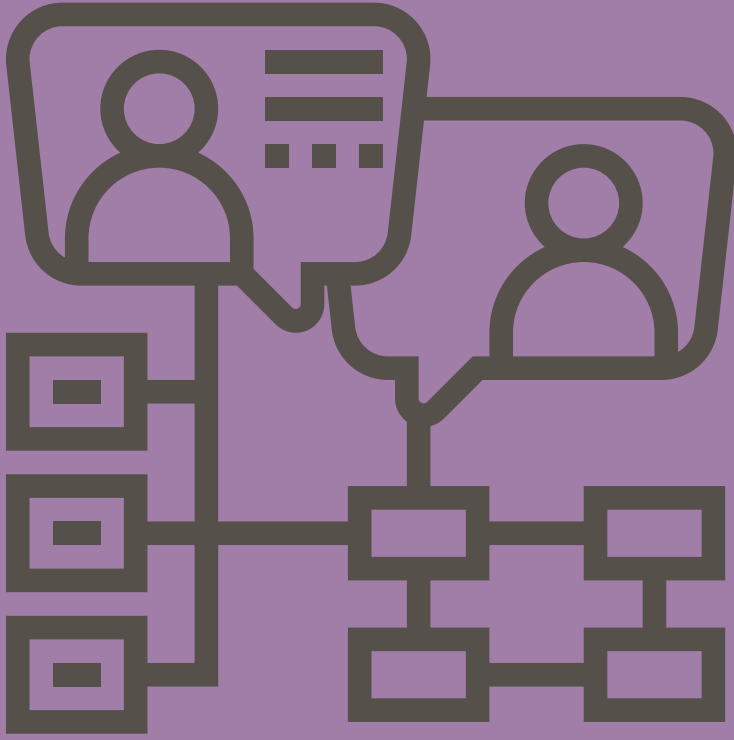
<sup>3</sup> Interview with IPA coordinator from the Cabinet of the Deputy Prime Minister for Economic Affairs was conducted on 20.01.2022.



Based on the methodology for monitoring work and effects of sector working groups, performance of SWGs in all these five segments is measured against 31 standards and 21 indicators. Scores calculated for these standards (1 is the lowest and 3 is the highest) are used to assess progress in work of all sector working groups at annual level.

Nevertheless, having in mind that five from twelve SWGs did not hold plenary sessions in 2021 and given that most standards and indicators are directly related to SWG meetings, unlike last year, this monitoring report does not include scores for individual segments of SWG performance. This method is applied to all SWGs, including those that have held plenary sessions in 2021, in order to maintain same approach to assessment for all 12 sector working groups.







# PART 1

## SECTOR POLICIES

It was announced that the National Developmental Plan and the Smart Specialization Strategy will be drafted by the end of 2021, but both strategy documents are still under development. Development of the National Developmental Plan was announced for early 2021, unlike the Smart Specialization Strategy whose development, envisaged as comprehensive model for sustainable economic growth, has been announced for several years and is continuously delayed. The only strategy document relevant for this sector and adopted in 2021 concerns the [Strategy for Regional Development of the Republic of North Macedonia](#), whose objectives include increased competitiveness of planning regions by enhancing their capacity for innovation, optimal use and valorisation of natural wealth, human capital and economic specificities of different regions.

As regards the legislative agenda, activities in 2021 included adoption of the Law on Amending the Law on Financial Support for Investments, while three other legal solutions are still in the stage of proposed legislation (Proposed Law on Insolvency, Proposed Law on Public-Private Partnerships and Draft Law on Vocational Education and Training).

[Law on Amending the Law on Financial Support for Investments](#) includes changes to terms and conditions for award of financial support to companies that have invested under conditions of the COVID-19 pandemic and for award of additional financial support to companies that will implement investment projects in underdeveloped planning regions.

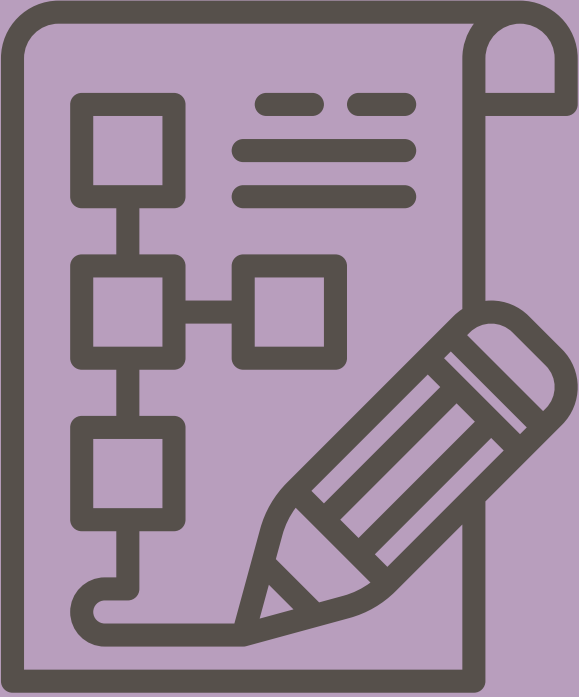


**Proposed Law on Insolvency** whose draft text was published on ENER in March 2021 had been developed by the Ministry of Economy, in cooperation with the International Financial Corporation – IFC (World Bank Group). In particular, the law is intended to ensure protection of investors and their businesses, more flexible and streamlined procedure for small businesses, clarification of conditions for trustee participation in bankruptcy procedures.

**Proposed Law on Public-Private Partnerships** was published on ENER in April 2021. Adoption of new law that regulates public-private partnerships, as proposed by the Ministry of Economy, is justified with the need to transpose the Directive 2014/23/EU on award of concession contracts and further alignment with best standards and international practices in this area, i.e. development of stable and consistent legislative framework on award of public-private partnership contracts, including concessions as type of public-private partnerships.

Having in mind that education is covered under the first thematic priority from WINDOW 4: Competitiveness and Inclusive Growth, it is important to note that the **Draft Law on Vocational Education and Training** is already developed and was published on the Single Electronic Registry of Legislation (ENER) in April 2021. Direct connection of this piece of legislation with the sector on competitiveness arises from the fact that the law should ensure vocational education that matches demand on the labour market. For that purpose, the law introduces the concept of dual education, provides further precision of provisions related to practical work during education in terms of expanded scope of such education, especially with employers, facilitates access to post-secondary education for students with completed high-school education, by exempting them from limiting conditions that were in place, further elaborates provisions that concern specialist education and education for craftsmen, rationalizes resources within the vocational education system to address problems arising from fragmentation and disintegration of VET institutions, which had previously took into consideration local, instead of regional labour market demand.





# PART 2

## SWG FUNCTIONALITY

### 2.1 RULES OF PROCEDURE

SWG Competitiveness and Innovation has own rules of procedure, which are actually based on the general rules drafted by the Secretariat for European Affairs (SEA) for all sector working groups. Nevertheless, the rules of procedure for this sector group are not publicly available.

It is expected for the new rules of procedure to precisely regulate work organization in terms of unified approach for all SWGs, as well as definition of their obligations.

Based on information obtained about operation of this sector group in 2021, it could be established that SWG Competitiveness and Innovation develops minutes from meetings held, but these are not published. Minutes from SWG plenary session held in March 2021 were secured on the basis of information request made under the instrument for free access to public information. However, it should be noted that the document is rather brief, less one page, and does not include information on SWG members in attendance, as well as reference to individual views and discussions by different stakeholders.



Disclosure of minutes from SWG plenary session could be assessed as progress compared to 2020, when the Cabinet of the Deputy Prime Minister for Economic Affairs did not disclose any information requested.

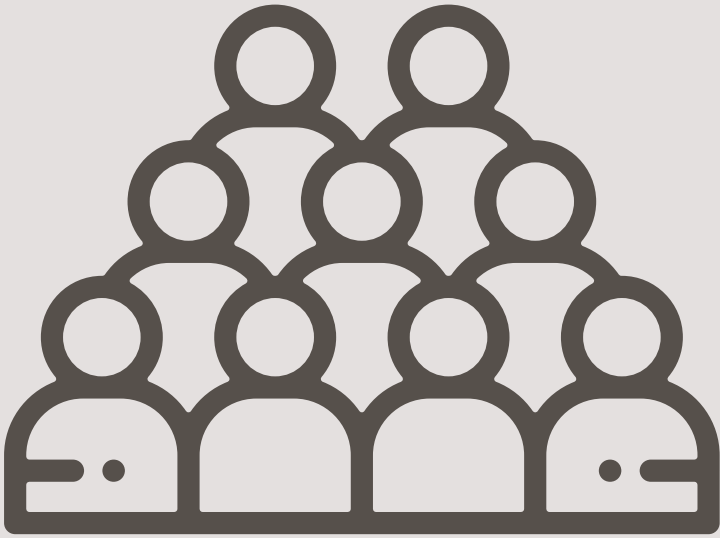
While formed in 2015 on initiative by SEA, this sector working group does not have a formal decision for establishment. This was explained with the fact that the sector working group is not part of the government and therefore it operates under the general decision for formation of all SWGs. Although it is reported that SWG composition is not fixed in terms of members from line ministries, other state institutions and so-called non-state actors, the list of invitees for SWG plenary session in March 2021 allows the conclusion that participation in its work is combined at level of individuals and at level of institutions. Hence, in addition to specific names of the Deputy Prime Minister for Economic Affairs, Coordination of Economic Resources and Investments and IPA coordinators, it also includes the names of representatives from the Ministry of Economy, Cabinet of the Prime Minister, Ministry of Finance, Ministry of Education and Science, Ministry of Information Society and Administration, Secretariat for European Affairs, State Statistical Office, Innovation and Technology Development Fund, Macedonian Bank for Development Promotion, Agency for Support to Entrepreneurship, Central Register, Agency for Real Estate Cadastre, and General Secretariat of the Government. SWG members at institutional level include the chambers of commerce (Economic Chamber, Association of the Chambers of Commerce, Economic Chamber of Northwest Macedonia and MASIT), and donors (EU Delegation, GIZ, USAID, SDC, World Bank, EBRD, Embassies of the Kingdom of the Netherlands, Switzerland, the United Kingdom, Greece, Germany and UNDP).

## 2.2 ANNUAL WORK PLAN

SWG Competitiveness and Innovation does not have annual work plan for 2022 and, according to announcements made by the IPA coordinator, it is anticipated for such plan to be discussed at the first session held by this sector group scheduled to take place in the first quarter of 2022.

Moreover, the sector working group does not develop annual work reports that would reflect its achievements.





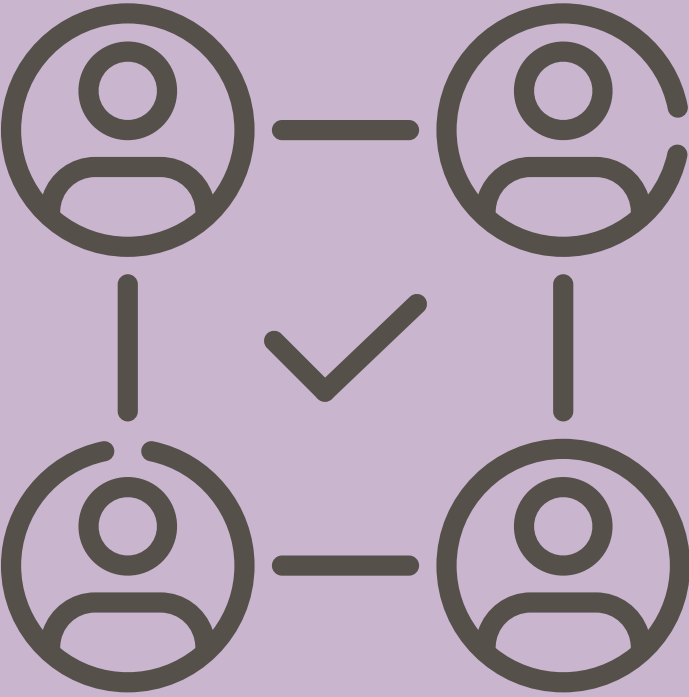


# PART 3

## CIVIL SOCIETY PARTICIPATION

Modest activities implemented by SWG Competitiveness and Innovation in 2021 did not include any civil society organizations. The sector group's declarative position on openness towards civil society participation continued in the course of 2021, although there were no initiatives for involvement of civil society representatives with the status of members or observers and they were not invited to attend the only plenary session held by this sector group. Nevertheless, the new rules of procedure for SWGs are expected to contribute in this regard, i.e. allow involvement of civil society organizations in work of this sector group.

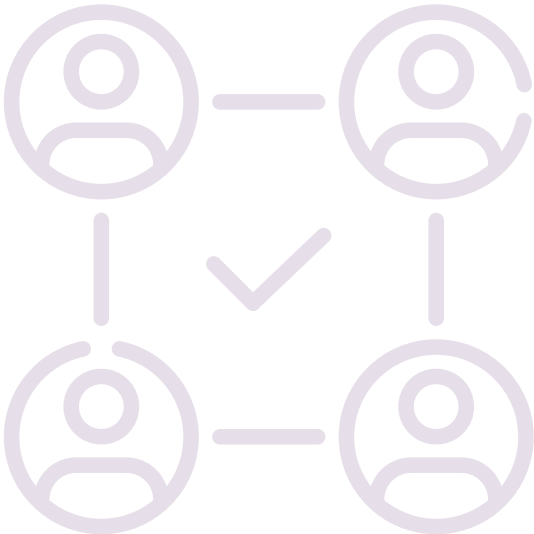
Among the ranks of "non-state actors", this sector working group formally includes representatives from four chambers of commerce, as follows: Economic Chamber of RNM, Association of the Chambers of Commerce, Economic Chamber of Northwest Macedonia and MASIT. According to available documents, it could be noted that these were invited to the only meeting held in 2021, but there is no information whether representatives from said chambers attended and participated in that meeting.



# PART 4

## CSO CAPACITY

SWG Competitiveness and Innovation does not include representatives from civil society organizations with the status of members and therefore the project team is unable to assess their capacity for contribution and participation in SWG work.





# PART 5

## EFFECTS FROM SWG WORK

For the third consecutive year, SWG Competitiveness and Innovation held just one meeting although the rules of procedure stipulate organization of at least four meetings per year. It is a matter of plenary session held on 09.03.2021, with one agenda item related to presentation of inputs from the “sector” for the IPA III strategic response intended as contributions to IPA III programming for the period 2021 – 2027 under WINDOW 4: Competitiveness and Inclusive Growth, thematic priority 2: Private Sector Development, Trade, Research and Innovation. Three priorities defined for EU financial support are:

- preparation of the country to join the European internal market, better regulatory and institutional framework for business operation and investments;
- increased competitiveness of enterprises, enhanced export and diversification, economic internationalization, while addressing challenges of circular economy/green economy;
- enhanced research, technology development and innovation.



It was assessed that participants at SWG meeting have supported decisions integrated in IPA strategic responses as necessary and relevant for the country. Moreover, it was concluded that inputs for strategic responses will be integrated in the country's overall strategic response document and that the next SWG meeting will take place by the end of 2021. Nevertheless, the second conclusion related to organization of second SWG meeting was not implemented in the course of 2021.

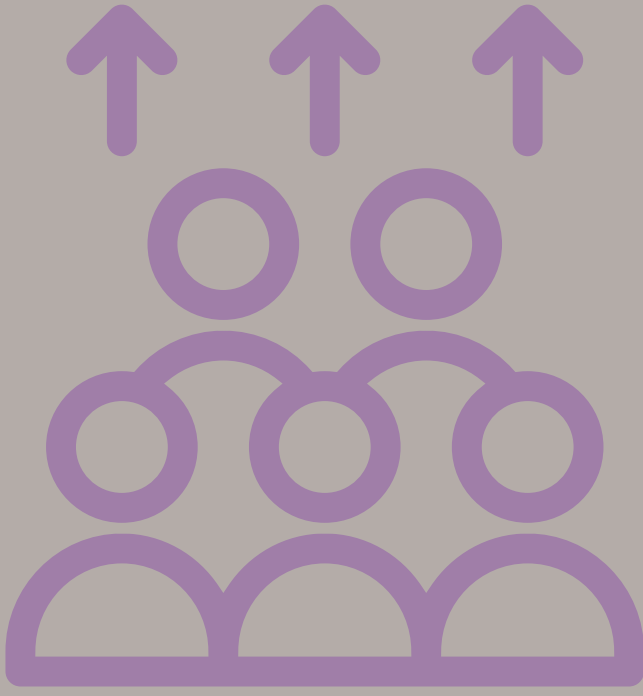
SWG Competitiveness and Innovation did not organize any operational meetings in 2021.

The IPA coordinator locates reasons for low efficiency of SWG Competitiveness and Innovation in limitations imposed by the COVID-19 pandemic and the local elections organized in 2021.

By organizing one plenary session in 2021, this sector group again failed expectations of the chambers of commerce that this group should represent a forum for discussion of policies and guides to stimulate competitiveness and innovation through cooperation with the business community, academia and state institutions.

As regards improving visibility of SWG Competitiveness and Innovation, the IPA coordinator reiterated expectations and proposal whereby the Secretariat for European Affairs should develop the calendar of activities for all sector working groups and create a depository of documents that are relevant for sector working groups.







# PART 6

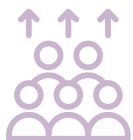
## INSTRUMENT FOR PRE-ACCESSION ASSISTANCE IPA III (2021 - 2027)

The Instrument for Pre-accession Assistance (IPA III) concerns the programming period 2021 - 2027. The European Commission introduced this instrument together with the new EU multiannual financial framework. IPA III was introduced with adoption of the Regulation on Establishing the Instrument for Pre-accession Assistance and the Regulation on Implementing Rules and Principles for IPA III<sup>4</sup> by the European Union, and is coherent with other funds, programmes and instruments of the Union, primarily the Neighbourhood Development and International Cooperation Instrument.

According to its structure, IPA III is organized around five thematic priorities, i.e. windows:

- 1. Rule of Law, Fundamental Rights and Democracy;**
- 2. Good Governance, Acquis Alignment, Good Neighbourly Relations and Strategic Communication;**

<sup>4</sup> Regulation of the European Parliament and of the Council establishing the Instrument for Pre-accession Assistance (IPA III) COM/2018/465 final



3. Green Agenda and Sustainable Connectivity;
4. Competitiveness and Inclusive Growth;
5. Territorial and Cross-Border Cooperation

For more information on IPA III programming (2021-2027) see the report [IPA: Cross-Cutting Issue](#).

## 6.1 IPA III PROGRAMMING (2021-2027) IN THE SECTOR ON COMPETITIVENESS AND INNOVATION

IPA III funds anticipated for the sector on competitiveness and innovation are part of WINDOW 4: Competitiveness and Inclusive Growth, thematic priority 2: Private Sector Development, Trade, Research and Innovation. Action fiches are still not developed for the action “EU for Favourable Business Environment”, which is planned for implementation in 2023 and 2024, meaning that at the moment this action is addressed with strategic indicators in the earliest stage of development and they can be changed in the future.

### **TABLE 1.**

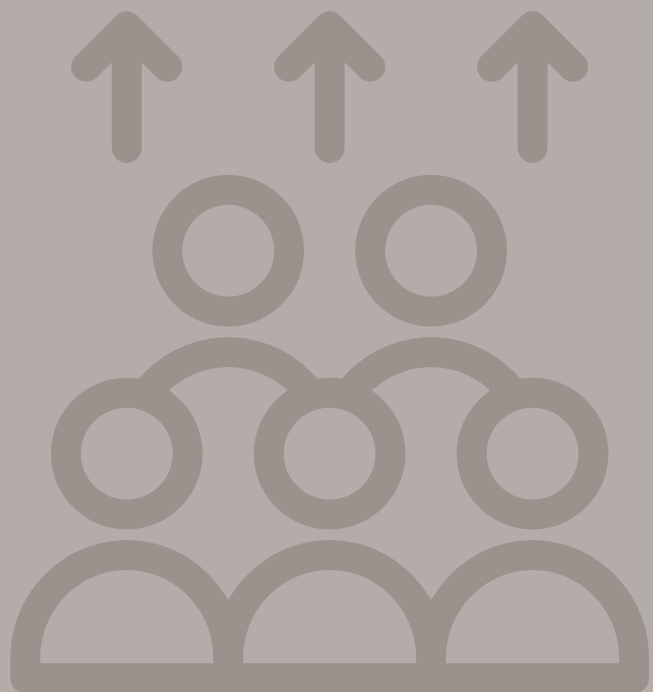
*IPA III programming (2021-2027) in the sector  
on competitiveness and innovation*

#### **WINDOW 4: COMPETITIVENESS AND INCLUSIVE GROWTH**

**Thematic priority 2:** Private Sector Development, Trade, Research and Innovation

#### **Implementation period: 2023 and 2024**

| Action   | Estimated total budget<br>(million EUR) | Requested contribution from IPA<br>(million EUR) | Implementation plan/arrangement |
|--|---|--|---------------------------------|
| <a href="#">EU for Favourable Business Environment</a> | 12.0                                    | 10.0   | Direct management               |





# PART 7

## GENDER MAINSTREAMING IN SECTOR WORKING GROUPS

Gender mainstreaming is a process for systematic consideration of implications on women and men from a planned action, including legislation, policy or program, in any area and at all levels.<sup>5</sup> In that, the ultimate goal is to achieved gender equality. Within the national legislation of the Republic of North Macedonia, gender mainstreaming is defined under the Law on Equal Opportunities for Women and Men<sup>6</sup> and represents an obligation for all state bodies and institutions. Failure to incorporate the gender perspective implies adoption of gender-neutral or gender-blind policies that are unable to address existing inequalities and could contribute to deepened gender gaps.

Gender equality is among core values of the European Union.<sup>7</sup> At the same time, EU

5 European Institute for Gender Equality (EIGE), Glossary and Thesaurus, A-Z Index, available at: <https://eige.europa.eu/thesaurus/terms/1185?lang=mk>

6 Article 4, paragraph (1), item 10) of the Law on Equal Opportunities for Women and Men, “Official Gazette of the Republic of Macedonia” no. 6/12, 30/13, 166/14, 150/15 and “Official Gazette of the Republic of North Macedonia” no. 53/21.

7 Article 2 of the consolidated version of the Treaty on the European Union, available at: <https://bit.ly/3s4gjyR>



membership is conditioned with respect and promotion of fundamental European values.<sup>8</sup> The Instrument for Pre-accession Assistance in the period 2021-2027 (IPA III) stipulates that implementation of IPA III should be led by the principles of gender equality and enhanced rights of women and girls,<sup>9</sup> in line with and aimed at attaining the minimum standards established under the EU's new Gender Action Plan 2021-2025 (GAP III) titled "An Ambitious Agenda for Gender Equality and Women's Empowerment in EU External Action".<sup>10</sup> GAP III is organized into five pillars and the third pillar anticipates activities in six key areas of engagement.<sup>11</sup> Moreover, GAP III reflects goals and objectives defined under the EU Gender Equality Strategy 2020-2025.<sup>12</sup> On the other hand, IPA III defines gender equality as specific objective, but also thematic priority eligible for support.<sup>13</sup> In that, it is stressed that gender equality is a cross-cutting issue that should be adequately reflected and integrated in the overall implementation process.<sup>14</sup> Goals of IPA III assistance under the thematic priority on gender equality fully correspond to six areas of engagement from GAP III, which provides an additional indicator for the need for these two documents to be linked. On that account, work within sector groups - that represent forums for interdepartmental cooperation and are competent for creating and implementing national policies and programming, monitoring and evaluating foreign aid - should be guided by and aligned with GAP III. Finally, due consideration should be made of the EU's commitment that, by 2025, at least 85% of all new external actions should include gender equality as important or general goal.<sup>15</sup>

8 Ibid. Article 49, paragraph (1)

9 Regulation (EU) 2021/1529 of the European Parliament and of the Council of 15 September 2021 establishing the Instrument for Pre-Accession assistance (IPA III), available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R1529&qid=1643627286827&from=en>

10 EU Gender Action Plan (GAP) III – An Ambitious Agenda for Gender Equality and Women's Empowerment in EU External Action, available at: [https://ec.europa.eu/international-partnerships/system/files/join\\_2020\\_17\\_en\\_final.pdf](https://ec.europa.eu/international-partnerships/system/files/join_2020_17_en_final.pdf)

11 Ibid. GAP III anticipates activities grouped into six thematic areas: ensuring freedom from all forms of gender-based violence; promoting sexual and reproductive health and rights; strengthening economic and social rights and empowerment of girls and women; advancing equal participation and leadership; implementing the women, peace and security agenda; addressing challenges and harnessing opportunities offered by the green transition and the digital transformation.

12 A Union of Equality: Gender Equality Strategy 2020-2025, available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020DC0152>

13 Regulation (EU) 2021/1529 of the European Parliament and of the Council of 15 September 2021 establishing the Instrument for Pre-Accession assistance (IPA III), available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R1529&qid=1643627286827&from=en>

14 Ibid.

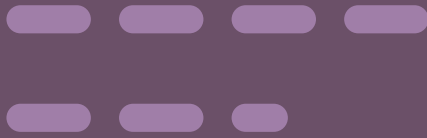
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An important element of the sector approach to gender mainstreaming is building and enhancing technical competences of all stakeholders involved in implementation of sector policies.<sup>16</sup> Hence, equal importance is assigned to capacity building on gender mainstreaming among policy makers, but also among people involved in policy implementation.

For more information, see [Shadow Report on Gender Mainstreaming in Sector Working Groups](#).



<sup>16</sup> EIGE, Glossary and Thesaurus, A-Z Index, available at: <https://eige.europa.eu/thesaurus/terms/1359?lang=mk>





## FINAL CONCLUSIONS AND RECOMMENDATIONS

- 1.** SWG Competitiveness and Innovation should increase its functionality by organizing more meetings and by allowing greater involvement of stakeholders in the process for enhancing competitiveness of the Macedonian economy and stimulating innovation.
- 2.** The sector working group should develop and publish annual work plans, annual work reports, information on SWG composition, SWG meeting agenda, SWG meeting minutes, stakeholder consultations, etc. Location where all this information will be made available, i.e. official website of the Government or official website of the Secretariat for European Affairs, is an aspect that could be easily agreed between all SWGs and SEA with a view to ensure unified approach to information dissemination.
- 3.** Having in mind the absence of any activities aimed at involving civil society organizations in work of SWG Competitiveness and Innovation, measures need to be taken, under a transparent process, to ensure their participation and contribution. It is expected that the new SWG rules of procedure that are under development will regulate the new model for civil society participation.

## BIBLIOGRAPHY

- ◆ Desk analysis of documents relevant for SWG Competitiveness and Innovation
- ◆ Interviews with IPA coordinator and representatives of the business community that participate in SWG Competitiveness and Innovation
- ◆ Documents and responses obtained under the instrument for free access to public information
- ◆ SWG meeting agenda for 09.03.2021
- ◆ Minutes from SWG meeting held in 2021

