

**CONTEXT**

**LEGISLATURE: Unicameral**

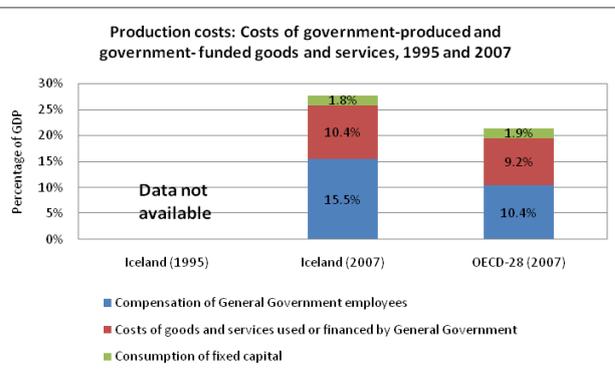
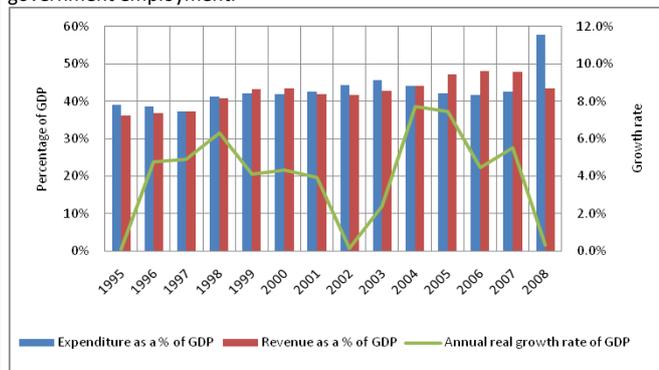
- Upper house: none
- Lower house: elected using Proportional Representation

**SYSTEM OF GOVERNMENT: Parliamentary**

- No. of ministries: 12 (2008)
- No. of ministers: 12 (2008)

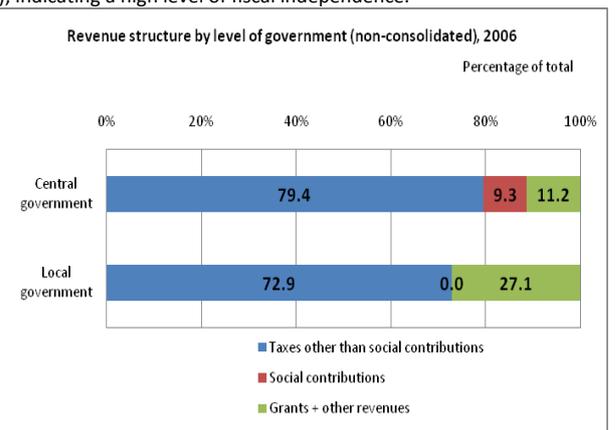
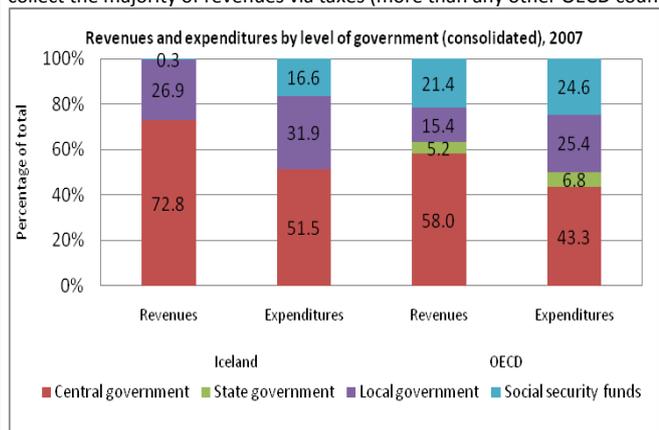
**STATE STRUCTURE: Unitary**

Revenues and expenditures have stayed just above 40% of GDP over the past ten years, with revenues exceeding expenditures 2005 - 2007. The situation changed abruptly in 2008 due to the global financial turmoil, which manifested itself in Iceland in a banking crisis of unprecedented proportions. The economy plunged into a deep recession in 2008, and the financial collapse has sharply increased government debt. With the recession and rising debt servicing costs, the public deficit is projected to be above 10% of GDP in 2009, adding to the public debt burden. Total production costs of government funded goods and services as a share of GDP are higher than the OECD average, with comparatively larger costs of government employment.



Source: OECD National Accounts and Economic Outlook. [\[Revenues\]](#) [\[Expenditures\]](#) [\[Production costs\]](#)

While the central government collects almost 75% of revenues and accounts for half of all expenditures, local governments still play a large role compared to other OECD countries. Central government revenues include money collected for social security fund expenditures. Local governments collect the majority of revenues via taxes (more than any other OECD country), indicating a high level of fiscal independence.



Source: OECD National Accounts [\[Revenues\]](#) [\[Expenditures\]](#)

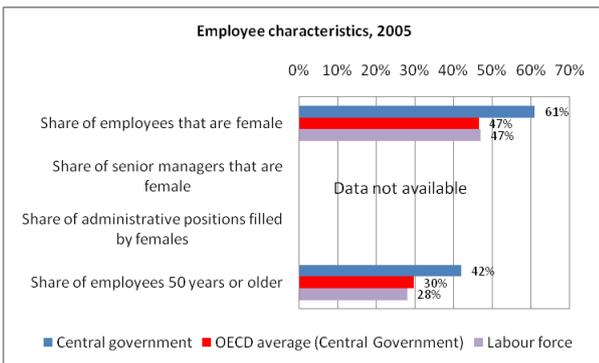
Compared to other OECD countries, the Icelandic government spends a larger share of resources on health, education, economic affairs, and recreation, culture and religion. This is balanced by a smaller share of resources devoted to social protection, defence and general public services. Local governments are mainly responsible for education and play a large role in providing housing and community amenities and recreation, culture and religion activities. Health services are funded by the central government. Almost 50% of central government expenditures go towards health and social protection, with an additional 30% of expenditures devoted to general public services and economic affairs.

Expenditure structure by function of government (non-consolidated), 2006	Iceland			OECD-26	EU-19
	Central government	Local government	General government	General government	General government
Share of total					
General public services	14.5%	10.2%	11.6%	13.8%	13.9%
Defence	0.2%	0.0%	0.2%	3.4%	3%
Public order and safety	4.5%	0.9%	3.5%	3.8%	3.7%
Economic affairs	14.8%	11.7%	14.2%	10.6%	10.1%
Environment protection	1.1%	2.4%	1.6%	1.7%	1.5%
Housing and community amenities	0.1%	4.5%	1.5%	2%	1.9%
Health	25.8%	0.8%	19.5%	15.1%	14.1%
Recreation, culture and religion	4.4%	17.3%	8.6%	2.6%	2.5%
Education	11.1%	37.2%	19.9%	12.9%	11.6%
Social protection	23.4%	15.0%	19.4%	34.2%	37.7%

Source: OECD National Accounts [\[General government\]](#) [\[Central, state and local\]](#)

**REVENUES AND EXPENDITURES**

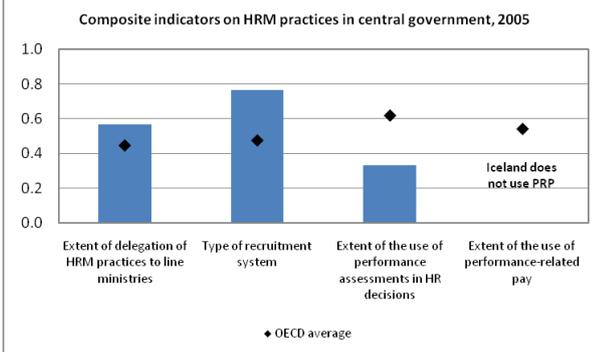
### GOVERNMENT EMPLOYMENT



Females represent a much larger proportion of the central government workforce in Iceland than the general labour force due to their higher representation in education, health care and social service occupations. These occupations make up a large portion of the central government workforce. In 2008, almost a quarter (24%) of all senior managers in state institutions were female. An ageing workforce poses a large challenge for the central government as more than 40% of its workers are 50 years or older. This is much higher than the OECD average (30%) and the share of workers 50 years or older in the wider labour force (28%).

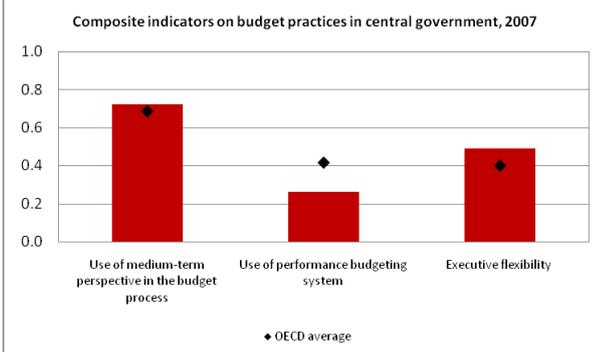
Source: OECD Strategic HRM Survey and Labour Force Survey  
[\[Female participation\]](#) [\[Ageing\]](#)

### COMPOSITE INDICATORS: PUBLIC MANAGEMENT PRACTICES



Iceland has a job-based, open system of recruitment, meaning that most jobs are available to both internal and external candidates through open competitions. It has also delegated most HRM practices to line departments and managers. Performance assessments are not commonly used in HR decisions, and the central government does not use performance-related pay. Iceland is characterised by a cadre of senior civil servants that are managed separately; however, their HRM practices differ only slightly from the general rules for central government employees.

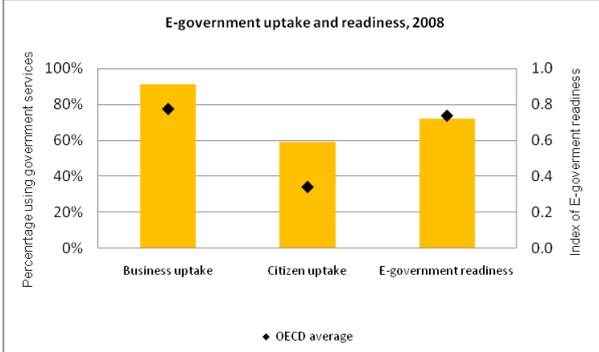
Source: OECD Strategic HRM Survey  
[\[Delegation\]](#) [\[Recruitment\]](#) [\[Performance management\]](#)



Iceland has taken steps to incorporate a medium-term perspective in the budget process. Each year, the central government presents expenditure estimates at the functional level for each ministry that cover 4 years and are based on multiple factors, including forecasted demographic, macroeconomic and legislative changes. In comparison to other OECD countries, Iceland does not use performance information to a large extent in the budgeting process. However, line ministries and agencies have relatively more flexibility regarding budgeted resources compared to other countries.

Source: OECD International Budget Practices and Procedures Database.  
[\[Medium-term\]](#) [\[Performance budgeting\]](#) [\[Executive flexibility\]](#)  
 OECD Journal on Budgeting: [www.oecd.org/gov/budget/journal](http://www.oecd.org/gov/budget/journal)

### E-GOVERNMENT



While Iceland exhibits average levels of e-government readiness, it is a leader among OECD countries in terms of citizens' and business' use of e-government services.

Source: United Nations E-Government Readiness Knowledge Base, Eurostat.  
[\[Readiness\]](#) [\[Uptake\]](#)  
[\[OECD E-Government Publications\]](#)

### INTEGRITY

**Types of information central government decision makers are required to disclose and level of transparency, 2009**

	President	Prime Minister	Minister	Lower House Legislators
<b>Requirements for disclosure</b>				
Assets and liabilities	ND	DP	DP	DP
Loans	ND	ND	ND	ND
Source and level of income	ND	DP	DP	DP
Outside positions	ND	DP	DP	DP
Gifts	ND	DP	DP	DP
Previous employment	ND	DP	DP	DP

D= Disclosed; DP= Disclosed and publicly available; ND= Not disclosed; NA= Not applicable.

The Icelandic government first implemented rules regarding the disclosure of financial interests for ministers and members of Parliament in the Spring of 2009. All legislators, including ministers, are obliged, within one month of being elected, to fill in an electronic form with information on: sources of income (outside of parliamentary salaries), financial support, gifts, sponsored travel, assets, liabilities, agreements with former and future employers, and outside positions. These forms are made available to the public on the web site of the parliament.

Note: Data are different than those presented in Government at a Glance 2009 because these data refer to rules implemented since the data were originally collected by the OECD Survey on Integrity in January 2009.

Source: OECD Survey on Integrity  
[\[Disclosures\]](#)

**Requirements for Regulatory Impact Analysis (RIA) processes used by central governments**

	2005	2008
Quality reviewed by body external to Ministry preparing rules	Yes	Yes
Required for draft primary laws	In selected cases	In selected cases
Required for draft subordinate regulations	In selected cases	In selected cases
Required to quantify costs	In selected cases	In selected cases
Required to quantify benefits	In selected cases	In selected cases
Required to publicly release results	No	No

**Extent of programs for reducing administrative burdens at the central level of government**

	1998	2005	2008
Explicit programme exists	No	No	Yes
Includes quantitative targets	No	No	No

The 2005 and 2008 surveys of Indicators of Systems of Regulatory Management examined the extent of governance practices designed to improve the quality of regulation in OECD countries. Among the most important practices are: the use of regulatory impact analysis (RIA) to assess the cost and benefits of new regulation and the institutional oversight of the quality of regulations; and the design of programs to reduce the costs of administrative activities on business and citizens.

In Iceland, there are four different kinds of RIAs with different review mechanisms. First, all draft primary laws proposed by the Government have to be accompanied by an analysis of the impact on the State Budget. This impact analysis is reviewed by the Ministry of Finance. Second, draft primary laws which have an impact on the budget of the local authorities are subject to an impact analysis, which is reviewed by the Association of local authorities. Third, draft primary laws and secondary regulations which involve state supervision of private companies have to be accompanied by an impact analysis. This analysis is reviewed by a committee of experts. Fourth, all draft primary laws should be accompanied by a so called general impact analysis which is not subject to an outside review.

*Source: OECD Survey on Regulatory Management.*

[\[RIA\] \[Administrative simplification\]](#)

Regulatory Management Indicators: [www.oecd.org/regreform/indicators](http://www.oecd.org/regreform/indicators)

EU 15 reviews on Regulatory Reform: [www.oecd.org/gov/regref/eu15](http://www.oecd.org/gov/regref/eu15)

Background reports on Regulatory Reform: [www.oecd.org/regreform/backgroundreports](http://www.oecd.org/regreform/backgroundreports)

**Production costs** are a subset of total government expenditures, excluding government investment (other than depreciation costs), interest paid on government debt and payments made to citizens and others not in exchange for the production of goods and services (such as subsidies or social benefits). Production costs include compensation costs of general government employees, the costs of goods and services produced by private entities funded by government (intermediate consumption and social transfers in kind via market producers), and the consumption of fixed capital (indicating the level of depreciation of capital).

**Structure of government expenditures:** Data on expenditures are disaggregated according to the Classification of the Functions of Government (COFOG), which divides government spending into 10 functions. More information about the types of expenditures included in each function can be found in Annex B of *Government at a Glance 2009*.

**Employment characteristics:** The OECD averages refer to the following number of countries:

- Share of employees that are female: OECD-23
- Share of senior managers that are female: OECD-22
- Share of administrative positions filled by females: OECD-17
- Share of employees 50 years or older: OECD-25

**HRM Composites:** The indexes range between 0 (low level) and 1 (high level). Details about the theoretical framework, construction, variables and weighting for each composite are available at: [www.oecd.org/gov/indicators/govataglance](http://www.oecd.org/gov/indicators/govataglance).

- **Delegation index** gathers data on the delegation of determining the number and types of posts needed in an organization, compensation levels, position classification, recruitment and dismissals, and conditions of employment. This index summarises the relative level of authority provided to line ministries to make HRM decisions. It does not evaluate how well line ministries are using this authority.
- **Type of recruitment system index** includes policies for becoming a civil servant in general (*e.g.* competitive examination or direct application) and for recruiting senior civil servants, and systems for appointing entry-level positions and for allocating posts across departments. This index describes a spectrum of recruitment systems in place in OECD member countries. Countries scoring closer to 0 have career-based systems whereas countries scoring closer to 1 have more position-based systems. The index does not evaluate the performance of difference systems.
- The **performance assessment index** indicates the extent to which it is used in career advancement, remuneration and contract renewal decisions, based on the views of survey respondents. This index provides information on the formal use of performance assessments in central government, but does not provide any information on its implementation or the quality of work performed by public servants.
- The **performance-related pay index** looks at the range of employees to whom PRP applies and the maximum proportion of base pay that PRP may represent. This index provides information on the formal use of performance related pay in central government, but does not provide any information on its implementation or the quality of work performed by public servants.

**Budget Composites:** The indexes range between 0 (low level) and 1 (high level). Details about the theoretical framework, construction, variables and weighting for each composite are available at: [www.oecd.org/gov/indicators/govataglance](http://www.oecd.org/gov/indicators/govataglance).

- The **medium term budget perspective index** contains information on whether countries develop and present multi-year expenditure estimates in the annual budget, the number of years the estimate covers, how often estimates are updated; and whether there are multi-year targets or ceilings and how often these are revised. This index measures the extent to which countries have developed a medium-term perspective in their budget process. However, it does not evaluate whether this perspective has been effective at achieving budget outcomes such as fiscal discipline and allocative efficiency.
- The **performance budgeting index** contains information on what type of performance information is developed; the processes for setting goals and targets; the process for monitoring and reporting on results; and if and how performance information is used in budget negotiations and decision making processes by key actors including the central budget authority, the line ministries and politicians. This index examines the degree to which OECD member countries have put a performance budgeting system in place. However, it does not measure how successfully these systems operate in practice.
- The **executive flexibility index** contains the following variables: the extent to which lump sum appropriations are used; the number of line items in the budget; agencies' ability to carry-over unused budget allocations between years, borrow against future appropriations, reallocate between line items and keep efficiency gains; and constraints on the executive's ability to increase spending during budget execution. This index looks at the different levels of flexibility provided to the executive during budget execution. However, it does not measure whether this flexibility is used effectively or appropriately.

**E-Government:**

- The **UN e-government readiness index** ranges between 0 (low level) and 1 (high level). It measures the capacity of governments to implement and develop e-government services. Developed within the framework of the UN global e-government survey, the indicator consists of three sub-indices: (1) the web measure index, (2) the telecommunication infrastructure index and (3) the human capital index. The web measure index ranks countries based on the coverage, sophistication and availability of e-services and e-products. The index categorizes countries as having either an emerging, enhanced, interactive, transactional, or networked e-government presence. The telecommunication infrastructure index is a weighted average of 5 measures of ICT infrastructure capacity: PCs/100 persons, Internet users/100 persons, Telephone lines/100 persons, Broad-banding/100 persons and Mobile phones/100 persons. The human capital index is a weighted average of the adult literacy rate (two-thirds weight) and the combined primary, secondary and tertiary gross enrolment ratio (one-thirds weight).
- The e-government take-up by citizens indicator measures the percentage of individuals (aged 16-74) who used the Internet to interact with public authorities in the 3 months preceding the survey. Data are collected through Eurostat's annual Community Survey on ICT Usage in Households and by Individuals, and are only available for European countries.
- The e-government take-up by businesses indicator measures the percentage of enterprises using the Internet to interact with public authorities. Only businesses with 10 or more employees are included. Data are collected by national statistical offices based on Eurostat's annual Model Survey on ICT Usage and E-commerce in Businesses.