

SYSTEM OF GOVERNMENT: Parliamentary

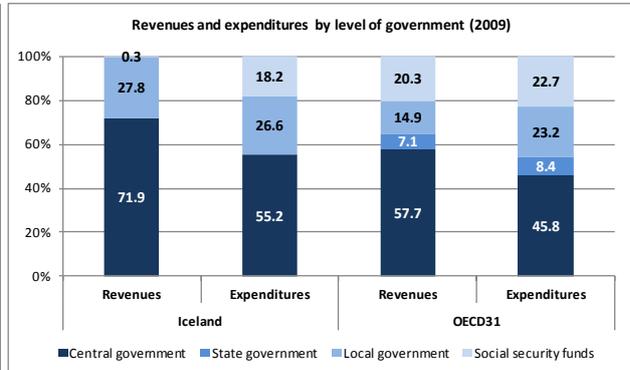
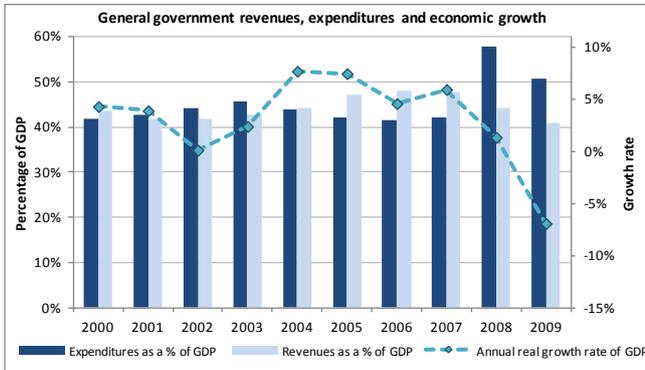
- No. of ministries: 10 (2010)
- No. of governments over last 20 years: 10
- No. of coalitions over last 20 years: 10

STATE STRUCTURE: Unitary

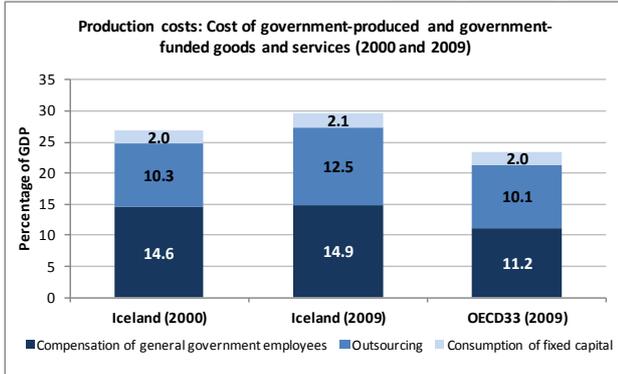
LEGISLATURE: Unicameral

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

Prior to the collapse of the banking sector in 2008 and the resulting severe economic downturn, Iceland was operating at a surplus from 2004-07. Expenditures were just over 40% of GDP during this period, but spiked in 2008 and 2009 as the government provided support to banks and injected fiscal stimulus. While the central government collects over 70% of revenues and accounts for over 55% of all expenditures, local governments still play a large role and enjoy a high level of fiscal independence. Central government revenues include money collected for social security fund expenditures.



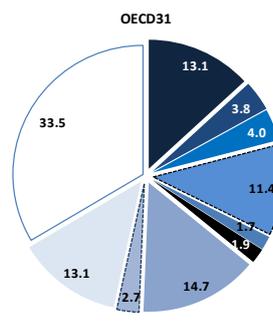
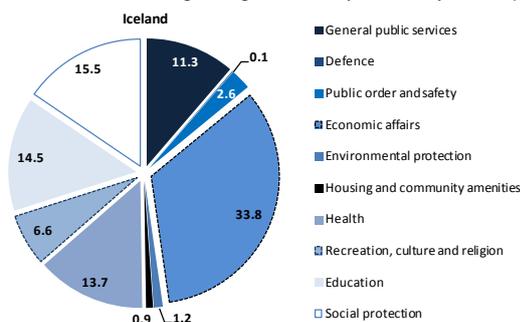
Source: OECD National Accounts and Economic Outlook 89. [Revenues] [Expenditures] [Revenues by level of government] [Expenditures by level of government]



Source: OECD National Accounts. [Production costs]

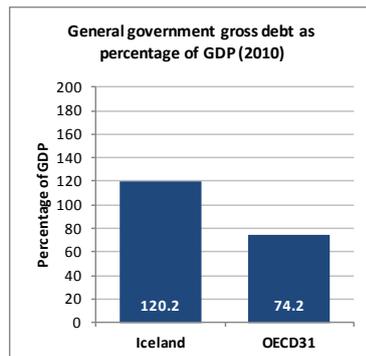
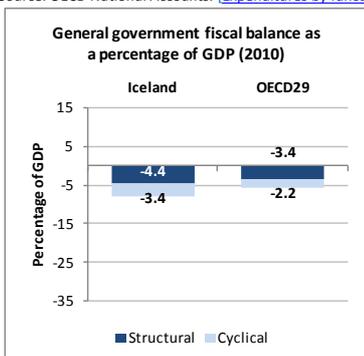
Almost 30% of the Icelandic economy was devoted to producing public goods and services in 2009, above the OECD average of 23.3%. Production costs as a share of GDP increased slightly from 2000 to 2009, mostly driven by increases in outsourcing. However, Iceland uses a similar mix of inputs in the production process (the share of costs attributed to government employees, capital, and private/non-profit producers and providers) as the average OECD country.

Structure of general government expenditures by function (2008)



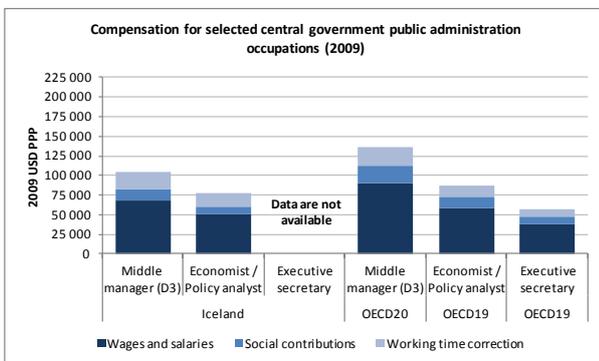
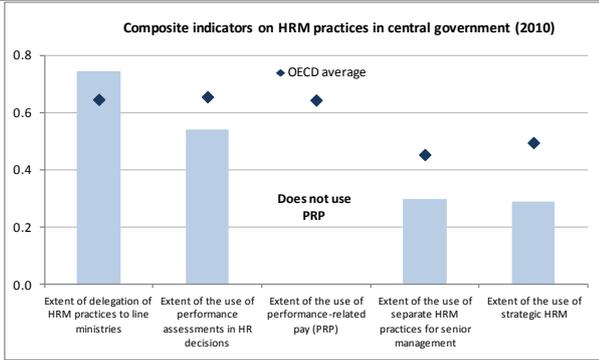
Source: OECD National Accounts. [Expenditures by function]

The structure of government expenditures in Iceland is very different than in most other OECD countries. In particular, in 2008, government expenditures on economic affairs spiked following support to the banks after the financial crisis. In general, Iceland spends much less on social protection programmes than other OECD countries but more on education and on recreation, culture and religion. Expenditures on defence are negligible.



Source: OECD Economic Outlook 89. OECD average refers to the unweighted average [Fiscal balance] [Debt]

The collapse in the financial sector increased government debt substantially. After running deficits above 10% in 2008 and 2009, public finances improved in 2010 (the fiscal balance was -7.8% of GDP) and are set to improve further as the government continues to implement a medium-term consolidation programme to restore policy credibility and economic growth in the context of an IMF Stand-By Arrangement. At 120.2% of GDP in 2010, general government gross debt is above the OECD average (OECD definitions of gross debt differ from Maastricht definitions).



Working time correction brings countries to the same basis of comparison in terms of annual working hours (accounting for weekly working hours and holidays).

The Icelandic government is undergoing a reform in the area of human resource management practices. There is a shift from a very de-centralised system— which is shown in the data— to a more centralised one. A General Accountability Framework (GAF) for managers has not been used but the government intends to implement an equivalent of GAF, which will define the main managerial standards and targets for which managers are held accountable and in which the management of human resources is a core strategic part. Performance assessments are used somewhat less than the OECD average, and performance-related pay is not utilised at all in the central government. There is a separate senior civil service, but their employment conditions are not much different from other employees’.

Source: OECD 2010 Strategic HRM Survey. [\[Delegation\]](#) [\[Performance assessment\]](#) [\[PRP\]](#) [\[Senior management\]](#) [\[Strategic HRM\]](#)

Middle managers and economists/policy analysts in the Icelandic public service receive total compensation slightly below the OECD average. The shares of total compensation represented by wages and salaries (64%) and social contributions (14%) are slightly below the averages of 66% and 16%, respectively. The compensation structure is fairly flat, with middle managers earning 1.3 times as much as economists/policy analysts. Icelandic public servants are required to work 37.08 hours per week. With 30 days’ paid vacation plus public holidays, most public employees work an average of 220 days per year, towards the lower end of the OECD range. The data presented take into account wage cuts ranging from 5-15% following the savings guidelines issued by the central government in August 2009.

Source: OECD 2010 Compensation Survey. [\[Middle managers\]](#) [\[Economist/Policy Analyst\]](#) [\[Executive Secretary\]](#)

Transparency in public procurement, 2010

	Central proc. website	Contracting entity website	Domestic printed or electronic journal	Other website	Pct. OECD countries that publish info
Information for potential bidders	Yes	Yes	No	No	97%
Selection & evaluation criteria	Yes	No	No	No	97%
Tender documents	Yes	Yes	No	No	82%
Contract award	Yes	Yes	Yes	No	100%
Justification for award	No	No	No	Yes	59%
Tracking procurement spending	No	No	No	Yes	32%

Percentages refer to the share of OECD countries that reported publishing information “always” or “sometimes”.

Achieving greater transparency in public procurement is important; especially given that Iceland spent an estimated 16 % of GDP on public procurement transactions in 2008.

Like 12% of OECD member countries, Iceland does not have a central procurement website. Instead, most of the public procurement information is published on the contracting entity website like in nearly half of OECD countries. Additionally, Iceland also publishes tender documents in its domestic/electronic journal (e.g. special bulletin).

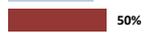
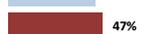
Currently, Iceland is one of the countries that publishes information on justifications for awarding a contract to a selected contractor as in 59% of OECD member countries. Still, Iceland does not allow tracking public procurement spending on line as is done by 32% of OECD member countries.

Providing an adequate degree of transparency throughout the entire public procurement cycle is critical to minimise risk of fraud, corruption and mismanagement of public funds in order to ensure fairness and equitable treatment of potential suppliers. Additionally, it allows for effective oversight by concerned institutions and the general public.

Source: OECD 2010 Survey on Public Procurement. [\[Transparency in public procurement\]](#)

REGULATORY GOVERNANCE

Regulatory governance mechanisms, 2008

Functions of the oversight body	Percentage of OECD countries responding "yes"		ICELAND
Consulted as part of process of developing new regulation	2005	 73%	No
	2008	 82%	Yes
Reports on progress made on reform by individual ministries	2005	 43%	No
	2008	 56%	Yes
Authority of reviewing and monitoring regulatory impacts conducted in individual ministries	2005	 43%	No
	2008	 50%	No
Conducts its own regulatory impact analysis	2005	 43%	No
	2008	 47%	No
Anticipating compliance and enforcement			
Regulatory policies require that issue of securing compliance and enforcement be anticipated when developing new legislation	2005	 57%	No
	2008	 70%	Yes
Guidance for regulators on compliance and enforcement	2005	 37%	No
	2008	 47%	No
Existence of policy on risk-based enforcement	2005	N.A.	N.A.
	2008	 30%	No

This table presents two elements drawn from the wide range of activities for managing regulatory quality.

The government of Iceland has developed an institutional structure for regulatory management. While there is no dedicated central oversight body as in other OECD countries, the main body responsible for regulatory management is the Prime Minister's Office.

The Prime Minister's Office promotes regulatory quality across the government through guidance, training and general support to all departments, for example on consultation procedures and impact assessment. According to the 2008 OECD survey on regulatory management, it is consulted in the process of developing new legislation and reports on progress made on reforms by individual ministries, which was not the case in 2005. There is no external review of impact assessment prepared by ministries. The government has established an external consultative body to supervise the implementation of the 1999 Act on Official Regulatory Monitoring Activities (Advisory Committee on Regulatory Supervision). In 2006 the Icelandic government also set up a task force to promote regulatory quality. The Task force on Simpler Iceland is headed by the chief legal advisor to the Prime Minister.

The Icelandic government has not developed an explicit risk-based policy on enforcement. However, by 2008, the authorities had integrated a requirement to consider compliance and enforcement issues in the process of developing new legislation.

Source: OECD 2008 Survey on Regulatory Management. [Oversight bodies] [Compliance and enforcement]

OPEN GOVERNMENT

Disclosure of public sector information, 2010

Types of information disclosed	Proactive disclosure		
	Iceland	OECD32	Publication channels
Budget documents	⊙	94%	CP, MA
Audit reports	●	72%	MA, OW
List of public servants and their salaries	⊙	28%	OW
Sharing of administrative data			
Administrative data sets	⊙	66%	MA
Requirements on publishing in open data formats	Yes	53%	-
<ul style="list-style-type: none"> ● Required to be proactively published by FOI laws ⊙ Not required by FOI laws, but routinely proactively published ○ Neither required nor routinely published <p>CP= central portal; MA= ministry or agency website; OW=other website OECD percentages refer to the percentage of the 32 responding OECD countries that either require that information be published by law or do not require it but routinely publish information.</p>			

Iceland's Freedom of Information legislation- which includes among other provisions the Information Act (50/1006) - requires that the government publish audit reports. Budget documents and administrative data sets are also routinely published, although this is not required by law. This information is made available predominantly on ministry or agency websites and/or other websites such as www.rikisendurskodun.is. Additionally, the government has put in place requirements on publishing information in open data formats. Iceland is amongst the minority of OECD countries that proactively publishes public servants and their salaries according to positions. Additionally, the senior civil servants salary board discloses decisions regarding salaries on their website: www.kjararad.is.

Source: OECD 2010 Survey on Access to Information. [Disclosure of information] [Publication channels]

E-GOVERNMENT

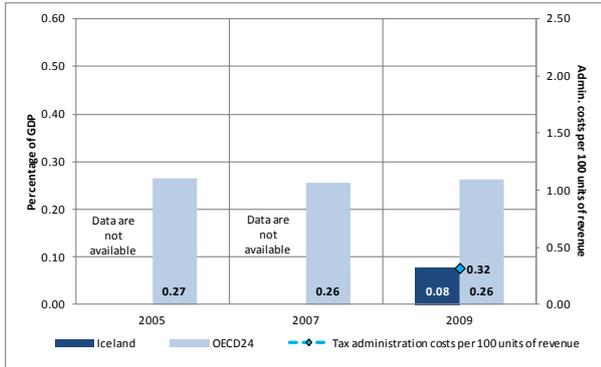
E-Government building blocks and e-procurement, 2010

e-enabling laws and policies	Iceland	OECD25
Recognition & use of digital signature	●	100%
Electronic filing within the public sector	●	88%
Administering PPPs for e-government projects	○	64%
Services offered on single-entry procurement website		
Tender searches	No single-entry site	62%
Tracking of outcomes of contracts	No single-entry site	32%
OECD percentages refer to percentage of responding countries answering in the affirmative. ● Yes ○ No .. Data unavailable		

Similar to most OECD countries, Iceland has put laws and/or policies in place to promote the use of digital signatures and electronic filing. However, contrary to most OECD countries, it does not have a law or policy on the use of public private partnerships in the implementation of e-government projects. PPPs can help increase innovation in public administrations through greater knowledge-transfers and the exchange of best practices between the public and private sectors. Iceland does not have a singly-entry procurement website.

Source: OECD 2010 e-Government Survey and OECD 2010 Public Procurement Survey. [E-enabling laws] [E-procurement]

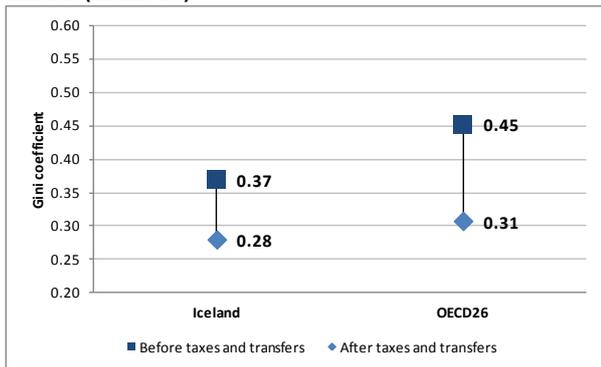
Tax efficiency: Total revenue body expenditures as a percentage of GDP and tax administration costs per 100 units of revenue (2005, 2007 and 2009)



Growing fiscal constraints have led to increased attention on improving the efficiency of tax administrations. The “cost of collection ratio,” for instance, is one efficiency measure which compares the annual administration costs incurred by a revenue body with the total revenue collected over the course of a fiscal year. Over time, a decreasing trend could reflect greater efficiency in terms of lowered costs and/or improved tax compliance. In Iceland, no time series data is available regarding the administration costs of collecting 100 units of revenue. Total revenue body expenditures are far below the OECD average. Iceland officials have reported that, to further reduce costs, tax operations are being restructured, combining nine districts into one to increase tax harmonization and efficiency.

Source: OECD (2011), Tax Administration in OECD and Selected Non-OECD countries: 2010 Comparative Information Series, OECD Publishing, Paris. [\[Total revenue body expenditures\]](#) [\[Tax administration costs per 100 units of revenue\]](#)

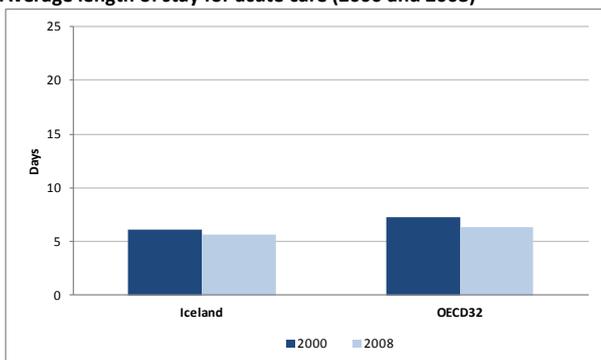
Differences in income inequality pre- and post-tax and government transfers (mid-2000s)



One method of assessing the effect of government tax and transfer policies on income inequality is by assessing a country’s Gini coefficient before and after taxes and transfers. The effect of government redistributive policies on income inequality is considerably lower in Iceland than the OECD average. Iceland achieved a 0.09 point reduction in the Gini coefficient following its tax and transfer policies, compared to an average 0.14 point reduction in OECD countries. Cash benefits for instance account for between 13 and 20% of household disposable income in Iceland, and the Gini coefficient is similar to the average.

Source: OECD (2008), Growing Unequal? Income Distribution and Poverty in OECD Countries, OECD Publishing, Paris. [\[Differences in inequality\]](#)

Average length of stay for acute care (2000 and 2008)



The average length of stay (ALOS) for acute care indicates the average number of days that patients spend in hospital for curative care. Similar to other OECD countries, the ALOS decreased from 6.1 days in 2000 to 5.6 days in 2008 in Iceland. This decrease is slightly lower than that of the OECD average, where the reduction was about one day over the same period. Over time, reductions in the ALOS could reflect efficiency gains, as it could signal that hospitals are expanding early discharge programmes, shifting to day-case surgery for suitable procedures, utilising less invasive procedures, and/or improving pre-admission assessment, all of which can help reduce costs. Too short a length of stay however could cause an adverse effect on health outcomes.

Source: OECD Health Data 2010. [\[ALOS for acute care\]](#)

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, outsourcing (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 2011*.

“Gross general government debt” refers to general government gross financial liabilities that require payments of principal and interest. For the European Union countries, gross public debt according to the Maastricht criteria is not presented here (see Annex Table 62 of OECD Economic Outlook No. 89). These data are not always comparable across countries due to different definitions or treatment of debt components. Gross debt is used rather than net debt due to the difficulties in making cross-country comparisons of the value of government-held assets, and because it is more relevant in the context of debt interest payments.

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 in Annex E at: www.oecd.org/gov/indicators/govataglance.

- The **delegation index** gathers data on the delegation of determining: the number and types of posts needed in an organisation, the allocation of the budget envelope, 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.
- The **performance assessment index** indicates the types of performance assessment tools and criteria used, and the extent to which assessments are 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 (PRP) 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.
- The **senior management index** looks at the extent to which separate management rules and practices (such as recruitment, performance management and PRP) are applied to senior civil servants, including the identification of potential senior civil servants early in their careers. The index is not an indicator of how well senior civil servants are managed or how they perform.
- The **strategic HRM index** looks at the extent to which centralised HRM bodies use performance assessments, capacity reviews and other tools to engage in and promote strategic workforce planning, including the use of HRM targets in the assessments of middle and top managers. The index does not reflect situations where strategic workforce planning has been delegated to the ministry/department/agency level.

Compensation data: Total compensation includes wages and salaries and employers’ social contributions (those to statutory social security schemes or privately funded social insurance schemes, as well as unfunded employee social benefits paid by the employer, including pension payments paid through the state budget rather than through employer social contributions (mostly for some pay-as-you-go systems)). In most cases data are for six central government ministries/departments only (interior, finance, justice, education, health and environment or their equivalents). Working time adjustment compensates for differences in time worked (both weekly working time and holidays). Compensation was converted to US dollars using purchasing power parities (PPPs) for GDP from the OECD National Accounts database. Differences in compensation policies can be the result of different bargaining powers; the state of the labour market (such as compensation in the private sector for similar positions); specific labour shortages; and the attractiveness of the government as an employer. While the survey uses the International Standard Classification of Occupations (ISCO) to standardise job categories, full comparability of responsibilities behind the occupational titles across countries presents difficulties in some cases. Annex D in *Government at a Glance 2011* fully details all limitations to data comparability, including those related to the measurement of employer’s social contributions (which were based on sources outside the survey for a number of countries, leading to potential inconsistencies).

Regulatory governance: The OECD average refers to the following number of countries:

- Functions of oversight bodies 2005: OECD30. Data are not available for Chile, Estonia, Israel and Slovenia.
- Functions of oversight bodies 2008: OECD34. Data for Chile, Estonia, Israel and Slovenia refer to 2009..
- Anticipating compliance and enforcement 2005 and 2008: OECD30. Data are not available for Chile, Estonia, Israel and Slovenia.

Tax efficiency: Tax administration efficiency ratios are influenced by differences in tax rates and the overall legislated tax burden; variations in the range and in the nature of taxes collected (including social contributions); macroeconomic conditions affecting tax receipts; and differences in the underlying cost structures resulting from institutional arrangements and/or the conduct of non-tax functions.

Differences in income inequality pre- and post-tax and government transfers: The values of the Gini coefficient range between 0 in the case of “perfect equality” (*i.e.* each share of the population gets the same share of income) and 1 in the case of “perfect inequality” (*i.e.* all income goes to the individual with the highest income). Redistribution is measured by comparing Gini coefficients for market income (*i.e.* gross of public cash transfers and household taxes) and for disposable income (*i.e.* net of transfers and taxes).