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Priorities supported by indicators

Improve education outcomes (2005, 2007, 2009)

Recommendations: Improve the quality and cost efficiency of pre-tertiary education.

Actions taken: Secondary education programmes were adapted to the European Credit Transfer units system in 2009. This will enable about 40% of students to complete upper secondary education in three years instead of the current four by 2011. The new upper secondary school law also offers incentives for new and shorter study programmes to counter high dropout rates.

Reduce producer support to agriculture (2005, 2007, 2009)

Recommendations: Reduce agricultural support, notably by lowering tariffs and abolishing import quotas on agricultural products, and by reducing other forms of producer support and delinking it from production.

Actions taken: Excise taxes on imported food (other than sugar and sweets) were abolished in 2007 and the general import tariff on imported meat products was lowered significantly.

► **Lower barriers to entry for domestic and foreign firms (2005, 2007, 2009)**

Recommendations: Reduce foreign ownership restrictions in the fisheries and energy sectors, and consider privatising the generation activities of the National Power Company.

Actions taken: A committee was formed to study this matter but ceased work in late 2008 owing to opposition to reducing ownership restrictions in the fisheries industry.

Other key priorities

Accelerate public sector reform (2005, 2007, 2009)

Recommendations: Introduce outcome-based budgeting, performance measurement and management reforms in the public sector.

Actions taken: No action taken.

Reduce government support to housing (2005, 2007)

Recommendations: Charge the Housing Finance Fund a fee for its government guarantee so as to enhance competitive neutrality in the provision of financial services and reduce incentives for over-investment in housing.

Actions taken: No action taken.

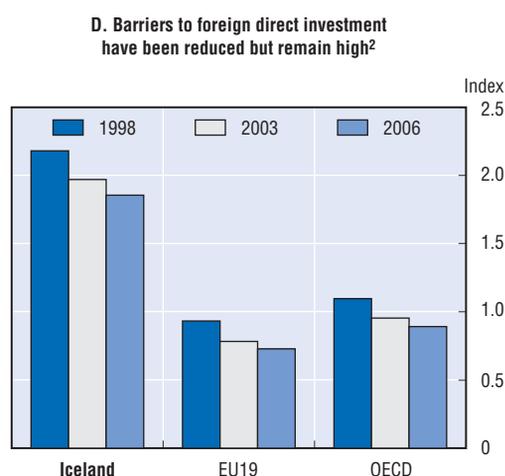
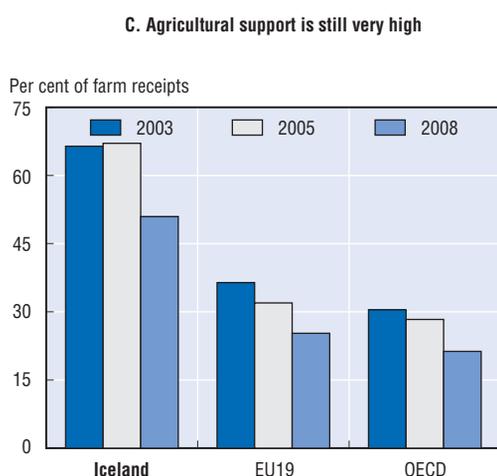
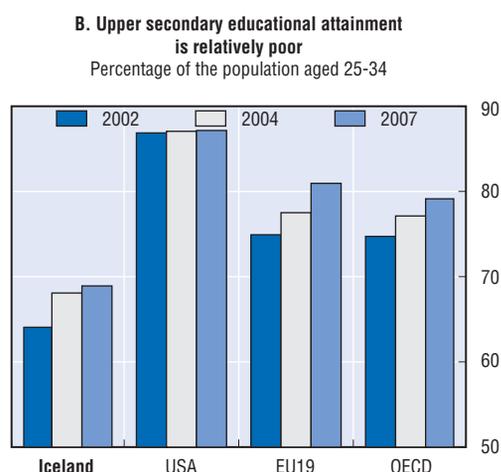
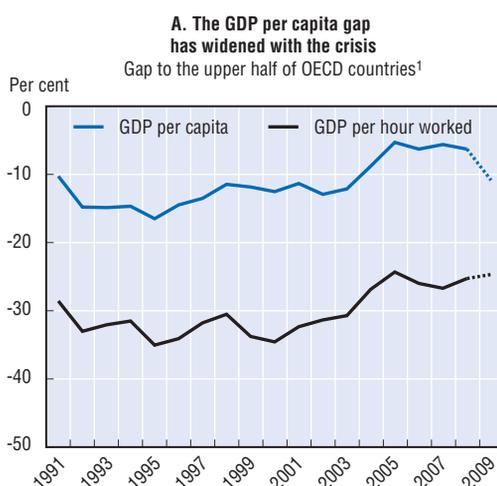
► **Improve financial sector regulation and supervision (2009)**

Recommendations: Give the macro-prudential supervisor a legal basis to restrain bank behaviour and tighten micro-prudential supervision rules and practice on large exposures, connected lending and quality of owners.

Actions taken: The authorities are considering reforms in the light of the *Jännäri* Report recommendations for improving prudential regulation and supervision.

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- After some convergence in the early 1990s, the GDP per capita gap relative to the average of the upper half of OECD countries had stabilised at low levels after 2005, but it has widened again as a result of the crisis. This income gap reflects relatively low labour productivity partially offset by one of the highest rates of labour utilisation in the OECD.
- In key priority areas, little reform has been achieved. Most progress has been made in education, although there is still considerable scope to improve efficiency by reducing teacher-student ratios. Agricultural support has declined owing to higher market prices but remains the highest in the OECD. Public-sector managers still do not respect budget limits.
- No major reform has occurred in other areas, although reforms have been made in health care to strengthen the purchasing role of the state and to reduce pharmaceutical costs through increased competition and greater use of generics.



1. Percentage gap with respect to the simple average of the upper half of OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs). The gaps for 2009 are OECD estimates, based on the OECD Economic Outlook, No. 86.
2. Index scale of 0-6 from least to most restrictive.

Source: Chart A: OECD, National Accounts and Economic Outlook 86 Databases; Chart B: OECD (2009), *Education at a Glance*; Chart C: OECD, *Producer and Consumer Support Estimates Database*; Chart D: Koyama and Golub (2006), "OECD's FDI regulatory restrictiveness index: revision and extension to more economies", OECD Economics Department Working Papers, No. 525

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