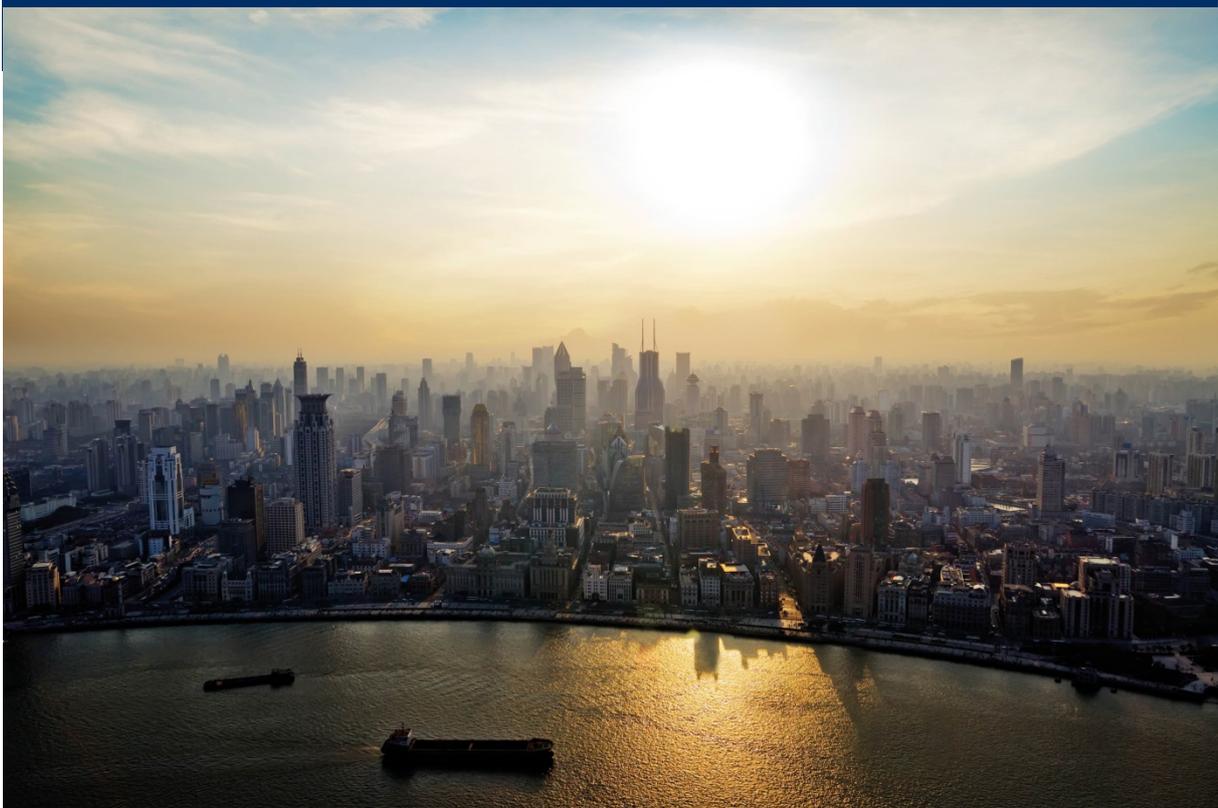


# SGI

Sustainable  
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Indicators

## 2015 Iceland Report

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## Executive Summary

In the 2013 elections to the national parliament, the Althing, the Progressive Party increased their representation in parliament by 10 seats to a total of 19. This leaves the Progressive Party and their coalition partner, the Independence Party who increased their seat count by 3, with an equal representation in parliament. With a combined majority of 38 seats out of a total of 63, the Progressive Party and the Independence Party were able to form a new center-right coalition government. The formation of the new government represents a departure from the political direction adopted by the previous government, which had gained power in the immediate aftermath of the 2008 economic collapse.

The main policy agenda for the Progressive Party was the introduction of the so-called Reduction of the Principal of Housing Mortgages, while for the Independence Party it was the introduction of tax cuts. The Progressive Party reversed its previously favorable position on EU membership, which it had adopted in 2009, in line with its coalition partner. Following this reversal, the new government announced its intention to withdraw Iceland's application for EU membership. Although, the foreign minister recently reiterated the government's intention to withdraw Iceland's application, public demonstrations against this announcement have caused the new government to delay a final decision. Furthermore, the new government has shown no interest in ratifying a new constitution approved by a majority of two-thirds in a 2012 national referendum.

Iceland is still struggling to recover from the 2008 economic collapse. Public debt levels remain high and interest payments on this debt constitute the second largest public expenditure item. This weak fiscal position has undermined the public provision of health care, education and social services. Furthermore, since 2008, Iceland's króna has lost one-third of its real value and half of its nominal value. Compared to 2008 price levels, food prices have increased by approximately 70%, while wages have increased by only around 20%. Consequently, the average citizens' purchasing power has dramatically decreased. This has had a knock-on effect for many households, as they attempt to repay inflation-indexed mortgages. Many households are now exposed to serious financial difficulties, which has resulted in an increased incidence of home repossessions.

In November 2013, the new government announced the introduction of the so-called Reduction of the Principal of Housing Mortgages. The policy aims to partially recompense home owners for the increase in inflation-indexed mortgage repayments. The level of re-compensation was to be announced in November 2014. At the time of writing, 70,000 households have applied under the policy scheme. The financial strain on households, caused by an increase in mortgage payments and a simultaneous collapse in property values, was a central issue in the 2013 parliamentary elections. Ultimately, it proved to be the fatal issue for the previous government.

There are some positive signs of recovery in the economy: a low level of inflation, a decrease in unemployment, a decrease in public debt and the economy has grown. However, capital controls, introduced in 2008 to stabilize the króna, remain a major concern, despite frequent promises, by both the previous and new governments, to relax them. Although, the new government recently reiterated its intention to remove these capital controls. A further source of political and economic uncertainty concerns the outcome of wage negotiations, which are due for renegotiation in 2015. After several years of weak purchasing power, the positions of employers' associations, employees' associations, and central and local governments have diverged.

The economy continues to experience economic problems, in the aftermath of the 2008 economic collapse. Iceland's economic collapse has lasted longer than many first believed, reflecting Reinhart and Rogoff (2009) findings concerning the duration of financial crises around the world. These problems have been further exacerbated by civil strife, including a strike by hospital doctors.

## Key Challenges

The new government was formed in May 2013, following parliamentary elections in April 2013. The previous government lost its parliamentary majority, because of Iceland's poor economic performance over the previous four years. The left-wing parties, which had formed the previous government, captured just 16 out of the total 63 parliamentary seats, less than half of their previous total. In contrast, the right-wing parties of the new government won 51% of the popular vote and a combined 38 parliamentary seats. However, since the election, the position of the new government has weakened and, at the time of writing, public support for the new government is down to 33%.

On succeeding to power, the new government quickly announced several radical policy reversals. However, despite these reversals, economic recovery has been slower than expected. The strict capital controls, introduced in 2008, were initially intended to last for two to three years. Yet, despite an announcement by the new government in May 2013, these capital controls remain active. Rescinding these capital controls has proven more difficult than originally envisaged.

The new government's early announcement of its intention to boost the economy – through attracting more foreign investment, to build more aluminum smelting and power plants, which would create more jobs and therefore generate more tax revenues – has not been achieved. Although, unemployment has decreased since 2008, the economy is growing at a slower rate than expected.

The new government's coalition partners both hold euro-sceptic positions. Since succeeding to power, the new government has frozen Iceland's application to become a member of the EU. While it is not clear whether Iceland's application will be completely withdrawn, it is clear that it will not be resumed during the mandate of this government. The new government's initial announcement to withdraw Iceland's application led to public protests in Parliament Square and a petition signed by 22% of the electorate. This show of public opinion convinced the new government to postpone a final decision. Since 2013, evidence from polling indicates that a majority of citizens want to continue with the application process. Although, many are sceptical of the EU and may vote against membership in a referendum, there is desire on the part of the public to be presented with the terms of accession and to participate in the decision-making process.

The 2008 economic collapse forced the previous government to substantially raise taxes and cut public expenditure. It remains to be seen whether the new government will increase public expenditure on the welfare services as the economy recovers. The most urgent task, in this regard, is the health care system. For example, many doctors and other health care professionals have resigned and emigrated abroad. In addition, several other public institutions are in a dire financial situation, including the education system, and the state radio and television station (RÚV).

Another key challenge concerns the future organization of Iceland's banking sector. Iceland is one of the few countries without any foreign competition in its domestic banking market. As a result, Icelandic banks tend to be overstaffed, expensive and inefficient. It is common for Icelandic pensioners

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to be burdened by heavy debts, such as mortgages and even outstanding student loans. Yet, neither the previous nor the new governments have demonstrated an interest in encouraging foreign competition into Iceland's banking system. This is evidence of the inward-looking attitude that characterizes Iceland's policy regime. This attitude is further exemplified by the new government's intention to withdraw Iceland's application for EU membership as well as the retention a ban, first introduced in the 1920s, on agricultural imports.

# Policy Performance

## I. Economic Policies

### Economy

Economic Policy  
Score: 6

Iceland's economic policy continues to be dominated by the fallout from the 2008 economic collapse. The IMF program, launched after the 2008 economic collapse, imposed strict capital controls, to prevent the króna from further depreciating, and a fiscal adjustment process, equivalent to about 10% of GDP, for the period 2010 to 2015. The promised gradual relaxation of the capital controls continues to be postponed, despite announcements to do so by the new government.

Following the 2008 economic collapse, the government sought to strengthen the heavily criticized Financial Supervisory Authority (Fjármálaeftirlitið). The number of Financial Supervisory Authority personnel was increased from 63 in 2008 to 93 in 2010 and to 117 in 2012. However, since 2012, the Financial Supervisory Authority's annual budget has been halved for two consecutive years.

The future of Iceland's banking sector remains uncertain, as the government has not presented plans for restructuring and reorganizing of the system. At the time of writing, the government owned a majority stake in one of Iceland's three largest banks. Meanwhile, foreign venture funds own significant stakes in the other two banks, a temporary situation. Iceland is one of very few countries in the world without any foreign competition in its local banking scene.

Iceland applied for EU membership in 2009. The previous government had signaled its intention to abide by EU standards and discipline, and to strengthen Iceland's institutional environment, including its regulatory policy. However, due to disagreements between the previous government's coalition partners, the application process was put on hold in January 2013. After April

2013's parliamentary elections, the new government withdrew from negotiations with the EU and expressed its intention to unilaterally retract Iceland's membership application. Yet, due to substantial public protests, the negotiations remain on hold rather than completely abandoned. The new government continues to threaten a formal withdrawal which would require any future process to once again secure the approval of 28 of the EU's member states.

Citation:

The Annual Reports of the Financial Supervisory Authority 2009, 2011, 2012 & 2014. (Ársskýrslur Fjármálaeftirlitsins 2009, 2011, 2012 and 2014).

Annual report on Competition Policy Developments in Iceland 2011. THE ICELANDIC COMPETITION AUTHORITY

([http://en.samkeppni.is/media/reports/ICA\\_2011\\_en.pdf](http://en.samkeppni.is/media/reports/ICA_2011_en.pdf)).

Gylfason, Thorvaldur (2015), Iceland: How Could This Happen?, in Reform Capacity and Macroeconomic Performance in the Nordic Countries, ed. Torben M. Andersen, Michael Bergman, and Svend E. Hougaard Jensen, Oxford University Press. — Also available as as CESifo Working Paper No. 4605, January 2014

## Labor Markets

Labor Market  
Policy  
Score: 6

Historically, labor market policy has successfully kept unemployment low. At the end of 2007, the unemployment rate was just below 1%. However, this changed following the bankruptcy of Iceland's the three biggest banks and the dramatic deterioration in the government's fiscal situation. In 2009, the unemployment rate rose to 8% and then to a record high 10% in 2010. In 2011, however, it fell to 7% and to 6% in 2012. A comparison of the average unemployment rate for the first quarter of 2012 (7.2%), 2013 (5.8%) and 2014 (5.7%) indicates that unemployment was decreasing until 2013, but has since plateaued. While these figures are high by national standards, they remain low compared to other European countries, such as Ireland or Spain. This outcome represented one of the biggest successes of the previous government and was facilitated by ambitious, egalitarian social policies as well as by a significant drop in real wages due to the depreciation of the currency. The new government has not achieved any further reduction in the unemployment rate.

Iceland's labor market legislation has essentially remained unchanged since 1938 with wage contracts negotiated by the leadership of labor unions and employers associations. Most wage contracts are due for renegotiation in early 2015. Labor union leaders have signaled that they will insist on wage increases greater than what, for example, Iceland's central bank considers appropriate to maintain control over inflation. Labor unions are demanding government action to curb perceived increases in inequality, including an increase in the ratio between executive and average worker remuneration. Successive

governments failed to reform labor market legislation to prevent wage competition between different groups of workers, after inflation was successfully reduced in the 1990s.

Citation:

[http://www.hagstofa.is/Hagtolur/Lau n,-tekjur-og-vinnumarkadur](http://www.hagstofa.is/Hagtolur/Lau_n,-tekjur-og-vinnumarkadur)

## Taxes

Tax Policy  
Score: 6

The previous government introduced a new three-bracket tax system for individuals, which came into effect in 2010. On average, income tax rates rose from 2008, despite reductions for the lowest income earners. Capital gains tax rates were also raised from 10% to 15% in 2009 and to 20% in 2011. In contrast, corporate tax rates remain at their 2008 levels.

The previous government's crisis-management strategy, supported by the IMF, involved significant cuts in public spending. The previous government committed itself to increasing total tax revenue from 38% of GDP in 2009 to 44% in 2014, while also reducing government expenditure from 53% of GDP to 41% over the same period. However, the policy reality turned out rather different. In 2009, the public budget deficit was expected to equate to 14% of GDP, but the actual deficit was just 9%. Faced with a less unfavorable fiscal situation than expected, the IMF-supported program aimed to cut government expenditure from 50% of GDP in 2009 to 40% in 2017, while keeping tax revenue at 41% of GDP from 2009 to 2017. This would amount to a fiscal adjustment equivalent to 10% of GDP over an eight year period. This is an especially tough program given that the adjustment is limited to reducing expenditure and not increasing tax revenues. Four reservations are in order. First, Iceland's public debt burden is understated in official statistics because the unfunded public pension obligations are not included, which is rare among OECD country data. Second, the ratio of public debt to GDP shot up from 29% in 2007 to 93% in 2010, which has led to interest payments on public debt becoming the second-largest single public expenditure item. Third, the previous government increased license fees for fishing significantly and budgeted further increases, which the new government have since reduced. Last, many public institutions are in dire financial circumstances, which in the case of the State University Hospital is putting lives at risk.

Under the new government, tax policy has been reversed from a progressive to a regressive system.

Citation:

Statistics Iceland, "Lágtækjumörk og tekjudreifing 2003-2006" (Risk of poverty and income distribution 2003-2006), April 2009.

## Budgets

Budgetary Policy  
Score: 6

The 2008 economic collapse dramatically increased the country's foreign debt burden. General government gross debt rose from 29% of GDP at the end of 2007 to 93% in 2010 and, at the time of writing, is expected to fall to 90% in 2013 and 82% in 2017. General government net public debt – the government's foreign debt minus its foreign assets – rose from 11% of GDP at the end of 2007 to 56% in 2009 and to 66% in 2011, but is expected to fall to 64% in 2013. It is possible that excessive wage increases in 2015 would simultaneously drive inflation and weaken the currency, which would cause an increase in the foreign debt burden.

Another factor fiscal complexity is the availability and relative value of foreign currencies. At the time of writing, foreign actors a considerable quantity of funds locked up in Iceland. Investors have demonstrated a preference to move these funds out of the country, but are prevented in part by the capital controls. Removing these capital controls or otherwise allowing the funds to be withdrawn will lead to a shortage of foreign exchange. This foreign exchange shortage will lead to a significant devaluation of the Icelandic króna. Despite government announcements that these capital controls will be lifted, at the end of the assessment period (May 2014), no details have been released as to how and when these capital controls will be removed.

Citation:  
IMF, October 2012 World Economic Outlook.

## Research and Innovation

R&I Policy  
Score: 7

Combined public and private research and development (R&D) expenditure in Iceland totaled 3% of GDP in 2007, one of the highest levels in the OECD group. About 40% of this expenditure was provided by the government. This high level of R&D investment reflects the ongoing transformation from an economic focus on agriculture and fisheries toward manufacturing and services. In particular, this has included the creation of new private firms in biotechnology, pharmaceuticals and high-tech manufacturing.

The government fosters research and innovation in the fields of geothermal energy, hydrogen power, and genetics and information technology. Public R&D expenditure, peaked in 2008 and 2009, was cut by about 10% in 2011

and remained at 2011 levels through 2012. Between 2012 and 2013, public R&D expenditure was increased by almost 50%, but for 2014 was again reduced by the new government.

Citation:

Research, Development and Innovation in Iceland - 2014 edition. RANNIS - The Icelandic Center for Research

### Global Financial System

Stabilizing  
Global Financial  
Markets  
Score: 5

In part because of its small size, Iceland has never made a substantial contribution to the improvement of the international financial, or other comparable international institutional, frameworks.

Domestically, however, the government has taken significant steps to address the extreme instability in its own financial system.

First, the previous government significantly strengthened the Financial Supervisory Authority and established a Special Prosecutor's Office, which is charged with investigating insider trading and market manipulation. In 2013 and 2014, the Special Prosecutor was expected to take about 70 additional cases to court. These cases involve about 200 individuals suspected of insider trading, market manipulation, false reporting and breaches of fiduciary trust. However, there have been significant delays in bringing these cases to court and the new government has substantially reduced the Special Prosecutor's Office's budget allocation.

The government has sought to strengthen financial supervision by encouraging the Financial Supervisory Authority to impose tougher standards. For example, prior to the economic crash, banks commonly provided loans without collateral, but this practice has since stopped. On the other hand, other practices have not stopped. For example, banks continue to be accused of acting in a discriminatory and nontransparent manner whereby some customers are allowed to write off large debts, while others are not, without the banks providing an appropriate justification for the distinction between customers. A number of Iceland's largest pre-crash business figures avoided going into bankruptcy, because their losses were annulled by Iceland's banks. Under new management since the proactive director of the Financial Supervisory Authority was replaced in 2012, the Financial Supervisory Authority lacks strong and clear leadership and has once again adopted a passive, non-intrusive strategic approach.

The present government has yet to lay out a plan for the reorganization of the banking system. This means that the future ownership structure of the banks remains uncertain, particularly the division between private and public, and between foreign and domestic ownership.

## II. Social Policies

### Education

Education Policy  
Score: 6

Public expenditure on education increased prior to 2008, but has since been cut. In 2012, public expenditure as a proportion of GDP on high schools, colleges and universities was significantly less than in 2008–2009. Public sector pay for teachers has for many years been lower than private sector pay. As such, vacant primary and secondary school teacher positions remained unfilled and a large number of under-qualified teachers found employment. However, the 2008 economic collapse has changed this. Salaries have decreased in the private sector and the reduction in available jobs has increased the proportion of qualified teachers.

Municipalities are responsible for primary schools. Since 2008, considerable cutbacks and rationalization measures have been introduced, including a shortening of the school year. High schools and public universities are the responsibility of central government. Despite cuts to public expenditure on education, the number of high schools has increased in recent years. Most new schools are located in rural areas, where education has been supported by regional development policies. The new government looks certain to shorten the duration of high school matriculation from four to three years.

Iceland's universities have been seriously underfunded for a long time. There are seven universities: two private universities supported by state grants and five public including two agricultural colleges. The previous government considered rationalizing the university sector either by reducing the number of universities or by encouraging more cooperation between universities. Discussions between the two private universities, concerning a possible merger, took place, but were later abandoned. However, the number of universities will be reduced to six, with one of the agricultural universities, Hvanneyri, being merged with the University of Iceland, despite heavy protests from citizens and politicians in the west of Iceland.

The OECD, among other institutions, has long highlighted the low proportion of the labor force of Iceland that left education with secondary or tertiary qualifications, which is a key explanatory factor for Iceland's low productivity, long working hours and high rates of labor force participation.

Citation:

OECD: Education at a Glance 2014, Paris.

### Social Inclusion

Social Inclusion  
Policy  
Score: 7

Before 2008, the degree of inequality in Icelandic society increased. This was driven by a regressive tax policy, which in real terms reduced the income threshold at which households are exempt from paying income tax. High inflation rates have further increased the burden on low-income wage earners. After the previous government came to office in 2009, measures were introduced to adjust the tax system. While the 2008 economic collapse led to the government increasing taxes for all income groups, proportionately smaller increases were introduced for the lowest income groups. Consequently, the Gini coefficient for Iceland has decreased from 29.6 in 2009 to around 24 throughout the 2011 to 2013 period.

Nevertheless, this does not tell the whole story. Significant cuts in public expenditure followed the 2008 economic collapse. For example, pensions and social reimbursements were cut. Simultaneously, the risk of social exclusion has increased, and the strain on charity organizations to provide food and clothes has increased considerably. During the assessment period, this trend has not been fully arrested. However, medical statistics – such as, emergency-room admissions, the use of antidepressants and the incidence of suicides – have not significantly changed before the 2008. Iceland also performs well in international poverty comparisons, suggesting that social policies during the economic crises were reasonably successful even if the economic situation remains difficult.

In Iceland, the richest 1% of taxpayers own nearly a quarter of all assets, while the richest 10% own nearly three-quarters of all assets. In contrast, 30% of taxpayers owe more than they own.

Citation:

<http://www.oecd.org/els/soc/income-distribution-database.htm>

## Health

Health Policy  
Score: 6

On average, the health care system, in Iceland is very efficient and of a high-quality. However, there is considerable variation between regions. For example, health care services in Reykjavík and its surroundings as well as the northern city of Akureyri are much better than comparative services in more peripheral, rural areas where patients have to travel long distances to access specialized services. Since the 2008 economic collapse, the government has introduced substantial cutbacks for a number of regional hospitals, closed departments and centralized specialized care facilities. In addition, smaller regional hospitals and health care centers have had serious problems in recruiting doctors. Waiting times for appointments with specialized doctors can be as much as several months.

The University Hospital in Reykjavik, the largest hospital in Iceland, has for several years been in a difficult financial situation. The government has not provided additional public funds nor allowed the hospital to independently raise funds through, for example, patient service fees. The resulting shortage of nursing and other medical staff has increased the work pressures and working hours on existing staff. Despite being an issue in the 2013 election, the question of how to finance a redevelopment of the University Hospital in Reykjavik remains. Many of the buildings are old and dilapidated, yet investment is also required to fund the purchase of new equipment. In the aftermath of the 2008 economic collapse, it has been difficult to publicly finance both a redevelopment of the hospital buildings and the purchase of new equipment. Discontent with this situation led to a strike by the doctors in late 2013.

Citation:

The sentence “The government finally gave in, granting the doctors something like a 20% wage increase plus a promised new hospital.” has been deleted because this occurred in January 2015.

## Families

Family Policy  
Score: 9

Family policy has long supported female participation in the labor force and with a rate of between 75% to 80% since 1991 Iceland has long had among the world’s highest rates of female participation in the labor force. Family policy has also encouraged a more equitable distribution of the burden of child rearing between genders. For example, in 2005, almost 90% of eligible fathers utilized their right to take parental leave of three months.

However, as a consequence of the economic collapse, maximum state payments during parental leave were reduced from 535,000 Icelandic krona in 2008 to 300,000 Icelandic krona in 2010 and, despite an increase to 370,000 Icelandic krona in 2014, remain 30% below their 2008 level. Furthermore, average wages for men are higher than for women, which discourages men from taking parental leave, especially since the 2008 economic collapse.

Citation:

Women and men in Iceland 2013. The Center for Gender Equality (Jafnréttisstofa).

## Pensions

Pension Policy  
Score: 7

Iceland's pension policy is based on a tax-financed, means-tested social security program supported by tax incentives to encourage participation in occupational pension funds and voluntary savings schemes. The pension funds, which are based on employee contributions of 4% of total wages and employer contributions of 8%, are designed to provide a pension equivalent to 56% of an individual's average working-life wage. In addition, employees can opt to pay a further 4%, with a further employer contribution of 2%, into a voluntary savings program.

In the past, it has appeared that Iceland's pension policy was both conducive to poverty prevention and fiscally sustainable. However, Iceland's pension funds experienced heavy losses as their investment in, among other stock, Iceland's banks depreciated substantially following the collapse of the banking sector in 2008. These losses, which totaled about a third of GDP, caused most pension funds to reduce their payments to members and further reduced the living standards of pension recipients. That said, the pension funds have recovered since 2008 and have an overall assets-to-GDP ratio that is among the highest in the OECD group.

Two main issues confront the pension system. First, the Pension Fund of State Employees, the largest pension fund, has a huge funding gap that will have to be financed through future tax revenue. Second, given that pension funds have previously been used to fund additional social programs, there is a danger that the government will use the funds to relieve Iceland's foreign exchange and balance-of-payments deficits.

Citation:

Ísleifsson, Ólafur (2012), "Vulnerability of pension fund balances," *Stjórnmal og stjórnsýsla*, Vol. 8, No 2., pp. 543-564. <http://www.stjornmalogstjornsysla.is/wp-content/uploads/2012/12/a.2012.8.2.17.pdf>

## Integration

Integration Policy  
Score: 6

Civil rights legislation for immigrants is largely influenced by the Danish and Norwegian models, which also reflects Iceland's obligations under the European Economic Area (EEA) agreement. Separate legislation for immigrants from EEA/EU countries and non-EEA/EU countries, makes it difficult for citizens outside the EEA to move into the country. Legislation for non-EEA/EU countries focuses on the need for foreign labor and restricts non-EEA/EU migrants to temporary work permits. Authorities provide instruction in the Icelandic language for foreign nationals. Nationals from other Nordic countries with three years consecutive residency in Iceland are eligible to vote in local elections, while for other foreign nationals eligibility follows five years of consecutive residency. The right to vote in parliamentary elections presupposes Icelandic citizenship.

The Information Center for Foreigners (Alþjóðahús) previously offered advisory services to migrants on a range of issues, including legal and civil rights issues. The center was run by the municipality of Reykjavík, but, in June 2010, was closed due to cutbacks in municipal services. Some basic functions were transferred to a municipal neighborhood service center in downtown Reykjavík.

The Directorate of Immigration (Útlendingastofnun) – a division within the Ministry of Interior whose mandate includes processing residence permits, visas and citizenship applications – has repeatedly been criticized for expelling foreign nationals on weak grounds. The Directorate of Labor (Vinnumálastofnun) has in recent years improved its outreach to foreigners, for example by providing important information in English on its website. The Directorate of Labor is also responsible for running the European Employment Services office in Iceland.

The new government, especially the Progressive Party, has begun to articulate an anti-immigrant agenda as an appeal to its core constituency. This is a new development in Icelandic politics, but one that reflects trends in neighboring countries.

### Citation:

Önnudóttir, Eva Heiða (2009): Viðhorf Íslendinga til innflytjenda á Íslandi (The Icelanders attitudes toward immigrants in Iceland). In *Bifröst Journal of Social Science* Vol. 3, 2009. (67-95).

Lög um kosningar til sveitarstjórna nr. 5, 1998 (Law on local government elections no. 5 1998).

### Safe Living

Safe Living  
Conditions  
Score: 8

Iceland has always been a secure place to live, with relatively few assaults, burglaries or other crimes. However, some changes have occurred since the 2008 economic collapse. The 2007 to 2009 government was undermined by a series of protests, which – although largely peaceful – did lead to clashes between protesters and riot police in early 2009. While these events led only to minor injuries and some 20 arrests, they were the first serious riots since March 1949's protests against the decision to bring Iceland into NATO. The main policing priority has been Iceland's internal security, rather than efficiency, as the police force has long suffered from a manpower shortage, exacerbated by low pay.

The incidence of drug-smuggling has been increasing for several years. This trend reflects an associated increase in the prevalence of violent attacks by individuals under the influence of alcohol or other drugs in Reykjavik, especially at the weekends.

### Global Inequalities

Global Social  
Policy  
Score: 6

Iceland is a founding member of the United Nations, though failed to secure a seat on the Security Council in 2008.

The Icelandic International Development Agency (Þróunarsamvinnustofnun Íslands) is a public institution associated with the Foreign Ministry established in 1981. Its mandate is to cooperate with and assist developing countries. Recently, Icelandic International Development Agency reduced the number of countries in which it ran projects from six to three: Malawi, Mozambique and Uganda.

In 2009, Iceland's contribution to development aid amounted to 0.33% of GDP. However, this was reduced to 0.21% in 2012, well below the UN target of 0.7%. In 2014 the contribution was raised to 0.26% of GDP, with a goal of achieving 0.28% in 2015. Yet, there is still a long way to achieve the UN target of 0.7%. In 2013, Iceland joined the OECD's Development Cooperation Directorate.

Apart from its rather limited development assistance, Iceland has not undertaken any specific initiatives to promote social inclusion in the context of global frameworks or international trade.

### III. Environmental Policies

#### Environment

Environmental  
Policy  
Score: 6

Environmental policy has historically not been a high priority on Iceland's political agenda. The Ministry for the Environment and Natural Resources (Umhverfis- og auðlindaráðuneytið) was established, comparatively late, in 1990. When the new government came to power in May 2013, the Ministry of Environment and Resources was brought under the responsibility of Sigurður Ingi Jóhannsson, who was also Minister of Fisheries and Agriculture.

The country is rich in onshore energy and fresh water resources, and has substantial offshore fisheries. However, there has been little discussion about how to preserve these resources, reflecting a popular assumption that these resources are unlimited.

In early 2013, Iceland's parliament made two significant steps toward addressing the country's nature and natural resources. First, parliament passed a new act, Lög um Náttúruvernd No. 60, which strengthened the regulatory framework for protecting the natural environment. Second, parliament passed a resolution that implemented aspects of the Master Plan for Hydro and Geothermal Energy Resources 1999–2010 (Rammaáætlun). The plan was based on scientific and impartial advice, rather than special interests, and it was intended to be open to public involvement and scrutiny. The 2013 resolution provided greater substance to the initial plan by stipulating which hydro-power and geothermal resources could be used for power generation. However, the new government, with less environment emphasis, reversed the previous government's progressive environmental policy agenda. In November 2013, the new Minister for the Environment and Natural Resources argued that the act had "met great resistance from different groups in the society" and proposed to repeal it by spring 2013. After bargaining, between the new government and the opposition, the spring 2013 version of the act will be revised and a final version is to be presented for ratification in July 2015.

Many consider the most serious environmental problem facing Iceland to be the long-standing erosion of its soil. Government failure to restrict the ability of livestock – such as, sheep and horses – to roam freely about the countryside continues to cause substantial damage to the natural environment and is the main reason for why large swaths of Iceland's countryside are gray rather than green. The unwillingness of the government to fence in the sheep and horses in

part reflects the disproportionate political power of farmers, even though the rural population accounts for only 6% of Iceland's total population.

Citation:

Althing. Taken 17. May 2013 from the link [http://www.Althing.is/pdf/Althing2011\\_enska.pdf](http://www.Althing.is/pdf/Althing2011_enska.pdf)

Law on nature protection (Lög um náttúruvernd) 2013 nr. 60 10. apríl.

Vernd og orkunýting landsvæða (rammaáætlun) 89. mál þingsályktunartillaga Þál. 13/141 141. löggjafarþingi 2012—2013.

Constitutional Bill (2012), <http://www.thjodaratkvaedi.is/2012/en/proposals.html>

### Global Environmental Protection

Global  
Environmental  
Policy  
Score: 7

The Ministry for the Environment and Natural Resources is responsible for the country's involvement in international environmental affairs. Iceland participates in the UNEP, and is active under the Rio Declaration and Agenda 21 in areas of sustainable development. Iceland is also one of the eight member states in the Arctic Council, a cooperation forum directed primarily toward environmental affairs and sustainable development, which includes five working groups. Two of these working groups – the Conservation of Arctic Flora and Fauna and Protection of the Arctic Marine Environment – are located in Akureyri, Iceland.

Whaling remains a controversial active economic activity in Iceland. On 15 September 2014, all 28 member states of the EU as well as the USA, Australia, Brazil, Israel, Mexico and New Zealand formally protested the continued practice of whaling in Iceland. However, the government of Iceland has not reacted to this protest.

Iceland is currently embroiled in a dispute with the EU over mackerel fishing. Mackerel migrate in huge numbers from international to Icelandic waters and Iceland is accused of over fishing the mackerel stocks. At the time of writing, an agreement has been reached between the EU, Norway and the Faroe Island, excluding Iceland.

# Quality of Democracy

## Electoral Processes

Candidacy  
Procedures  
Score: 10

Almost citizen of Iceland aged 18 years or over can run for parliament. Exceptions to this include judges serving on the Supreme Court (Hæstiréttur), and adult individuals convicted of a serious felony or sentenced to four months or more in custody. For local elections, with the exception of the minimum age limit, these restrictions do not apply. Citizens of other Nordic countries with three years consecutive residence in Iceland can stand as candidates in local elections. The registration process for candidates and parties is transparent and fair.

The minimum 5% share of the national vote required to secure seats in the parliament was set in year 2000. In a addition to this minimum 5%, parties can also win a seat by securing a majority of the vote within a constituency seat. This minimum threshold is the same as in Germany and is higher than in the other Nordic countries (Sweden and Norway 4% and Denmark 2%). As a consequence, 12% of voters in 2013 have no representation in the parliament, as they voted for candidates or parties that failed to secure the consistency vote and polled less than 5% of the national vote.

Citation:

Lög um kosningar til Alþingis nr. 24/2000 (Law on parliamentary elections nr. 24/2000).

Lög um breytingar á lögum um kosningum til Alþingis nr. 16/2009 (Law on changes in law on parliamentary elections nr. 24/2000).

Lög um kosningar til sveitarstjórna nr. 5/1998 (Law on local elections nr. 5/1998).

Media Access  
Score: 7

Formally, all parties or candidates have equal access to media. There are no restrictions based on race, gender, language or other such demographic factors. However, parties already represented in the national parliament or in local councils have an electoral advantage over new parties or candidates. Furthermore, in the 2013 parliamentary election campaign, several media organizations systematically discriminated against small or new parties that opinion polls indicated were unlikely to exceed the 5% minimum vote threshold.

Voting and  
Registrations  
Rights  
Score: 10

Iceland's voting procedure is unrestricted. If an individual is registered as a voter within a constituency, they only have to present a form of personal identification to cast a vote. Every person 18 years or older has the right to vote.

Party Financing  
Score: 6

The 2006 law regulating the financing of political parties provides three types of public grants. First, an annual grant, proportionate to the national vote share in the previous election, is awarded to any party or independent group with at least one member of parliament or attained at least 2.5% of the national vote in the last election. Second, an annual grant, proportionate to the number of sitting members of parliament, is awarded to all parliamentary parties or independent groups. Third, a grant is awarded to any party or independent group, in a municipality of 500 inhabitants or more, with at least one member in the local council or attained at least 5% of the vote in the last municipal election. The law also regulates private contributions to politics. For example, parties are not allowed to accept more than 300,000 Icelandic krona from any private actor, company or individual.

The National Audit Office (Ríkisendurskoðun) monitors the finances of parties and candidates, and publishes annual summaries that include total expenditure and income. Income must be classified by origin, identifying companies or other contributory entities to party finances before and during election periods (prófkjör).

For the 2007 election campaign, political parties reached an agreement that a maximum 28 million Icelandic krona could be spent on TV, radio and newspaper advertisements. Despite this agreement, there is legal limit on electoral spending. Since 2009, regulation on party finances has been under review, but no final agreement has been reached.

The law on party financing was originally drafted by a committee comprising party representatives, including the chief financial officers of the main political parties. This followed the disclosure by the National Audit Office that, among other things, fishing firms gave 10 times as much money to the Independence Party and the Progressive Party between 2008 and 2011 as to all other parties combined. The Independence Party and the Progressive Party have been and remain particularly generous toward the fishing industry. Similarly, the Special Investigation Committee disclosed that huge loans and contributions were provided by the Icelandic banks to political parties and politicians between 2006 and 2008, on a per capita scale significantly greater than in the United States.

Citation:

1. Lög um fjármál stjórnmalasamtaka og frambjóðenda og um upplýsingaskyldu þeirra, nr. 162/2006 (Law on the finances of political organizations and candidates and about their information duties nr. 162/2006).

2. Kristinsson, G. H. (2007): Íslenska stjórnkerfið. 2. útgáfa. Reykjavík, Háskóli Íslands. (The Icelandic political system. Second edition)

3. Special Investigation Committee (SIC) (2010), "Report of the Special Investigation Committee (SIC)," report delivered to Althing, the Icelandic Parliament, on 12 April. See <http://www.rna.is/eldri-nefndir/addragandi-og-orsakir-falls-islensku-bankanna-2008/skyrsla-nefndarinnar/english/>

Popular Decision-  
Making  
Score: 5

According to Article 26 of the 1944 Icelandic constitution: "If the Althing has passed a bill, it shall be submitted to the president of the republic for confirmation not later than two weeks after it has been passed. Such confirmation gives it the force of law. If the president rejects a bill, it shall nevertheless become valid but shall, as soon as circumstances permit, be submitted to a vote by secret ballot of all those eligible to vote, for approval or rejection. The law shall become void if rejected, but otherwise retains its force." In the 69 year history of the Republic of Iceland, this paragraph has twice led to a nationwide referendum.

The first referendum was held in March 2010 after President Ólafur R. Grímsson rejected the so-called Icesave bill. This bill set the terms of a proposed state guarantee of the obligations of the Depositors' and Investors' Guarantee Fund (Tryggingarsjóður innstæðueigenda og fjárfesta). Specifically it authorized a €3.8 billion loan (€12,000 per Icelandic citizen) from the governments of the United Kingdom and the Netherlands to guarantee Iceland's deposit-insurance obligations for citizens of the UK and the Netherlands who held accounts with failed Icelandic banks. In the referendum, the bill was rejected by 98.1% of the voters. However, by the time of the referendum, the deal on the ballot was no longer under consideration. Indeed, the government ministers behind the deal did not even vote.

The second referendum was held in February 2011 after President Grímsson refused to sign the third so-called Icesave bill into law. This time, the parliament had approved an act (No. 1/2010) authorizing the Minister of Finance, on behalf of the State Treasury, to issue a state guarantee covering deposit insurance of Icelandic bank account holders resident in the UK and the Netherlands. In April 2011, another referendum was held, in which 59.7% voted against and 40.1% voted in favor of the deal.

In accordance with the Act on a Constitutional Assembly (No. 90/2010), an advisory Constitutional Council was appointed to revise Iceland's constitution. This council comprised 25 delegates nominated by a nationwide election in the autumn of 2010. The Constitutional Council was given four months to draft a constitutional bill. The bill was unanimously approved in late July 2011 by all the delegates and delivered to the parliament for ratification. Yet, despite surpassing the deadline for the mandate period and a national referendum that secured the support of 67% of voters as well as 32 out of 63 legislators expressing public support, the parliament has still to ratify the bill, in violation

of parliamentary procedure, as the president of the parliament has not brought the bill to a vote.

A Law on Local Government Affairs was passed by the parliament in September 2011. This law contains a new chapter called Consultancy with Citizens (*Samráð við íbúa*), which includes paragraphs on local referenda and citizen initiatives. Under its terms, if at least 20% of the population eligible to vote in a municipality demand a referendum, the local authorities is obliged to organize a referendum within a year. However, local councils can decide to increase this threshold to 33% of eligible voters. At the local level, therefore, steps have been taken to improve the opportunity for citizen impact between elections. The proposed constitutional bill contained a similar provision that would allow 10% of the voters to demand a national referendum on most bills passed by the parliament. However, with a delay to parliament voting on the new bill, this power is not yet in place.

Citation:

Constitution of the Republic of Iceland No. 33, 17 June 1944.

<http://thjodaratkvaedi.is/2010>

<http://stjornlagarad.is/english/>

Sveitar stjórnarlög nr. 138 28. september 2011

Gylfason, Thorvaldur (2013), "From collapse to constitution: The case of Iceland," in *Public Debt, Global Governance and Economic Dynamism*, ed. Luigi Paganetto, Springer.

### Access to Information

Media Freedom  
Score: 7

The state had monopoly of radio and TV until privatization in 1986. Private stations now have a significant role in the broader media market. There were nine private TV stations in 2008, increasing to 11 in 2011, and all but one offered national coverage. There is only one state-run TV station. The country's current legal environment, including the 2000 Act on Radio and TV (*Útvarpslög*), does not provide full protection against government influence or intervention. However, in 2004 Freedom House stated that Iceland had an "exceptionally open and free media environment."

Owners of private media sometimes try to exercise influence over news coverage. The largest newspaper, owned by a discredited banker, has been in turmoil since late summer 2014. In response to the accusations that the owner attempted to control content, a number of editors were fired, while several journalists and other staff members resigned. The second largest newspaper is controlled by fishing magnates who appointed a former Icelandic prime minister and discredited Central Bank governor as chief editor. The newspaper regularly publishes content critical of reforms to regulation of fisheries and Iceland's application process to the EU. A further case of intervention in a

newspaper by its ownership occurred in late summer 2014. In this case, there were public conflicts between present shareholders and possible future shareholders of whom some had close connections to the Progressive Party. One of the possible future shareholders bought shares in the newspaper in order to fire the editor, having publicly declared his intention to do so. Despite the criticism that Iceland is effectively a country without media, the position of those seeking to dominate the media has been considerably weakened by the advent of internet platforms, such as social media networks.

Citation:

Karlsson, Ragnar (2010): Íslenskur fjölmiðlamarkaður. Framboð, fjölbreytni, samkeppni og samþjöppun. (The Icelandic Media Market. Supply, diversity, competition and concern). An overview prepared for the Ministry of Education and Culture.  
Statistics Iceland (Hagstofa Íslands) [www.statice.is](http://www.statice.is)

Media Pluralism  
Score: 6

Media ownership in Iceland can be divided into three blocs, two private sector blocs and the third bloc owned by the government.

In autumn 2014, there was one state-owned TV station (RUV - Sjónvarp) and two state-owned radio channels (RUV - Rás1 and RUV - Rás2). There were also three private nationwide TV channels and two nationwide private radio channels, separately owned.

The private 365 Media Corporation (365 Miðlar) owns TV station Stöð 2, the Bylgjan radio station and Fréttablaðið, one of the country's two daily newspapers. 365 Media Corporation is the largest media actor in Iceland and has clear connections to Jón Ásgeir Jóhannesson, an individual closely associated to the 2008 economic collapse. Morgunblaðið, the second biggest newspaper, is considered the voice of the right-wing Independence Party (Sjálfstæðisflokkurinn). At the time of writing, its chief editor since 2009 is the former Independence Party prime minister, Davíð Oddsson. However, given the presence of several other smaller TV broadcasters and Iceland's small population of 320,000, radio stations and newspapers, media ownership in Iceland is fairly plural.

In 2014, ownership of the third largest newspaper (DV) was taken over by owners eager to replace its editor under whose stewardship the newspaper's journalists had won several awards for investigative journalism.

Access to  
Government  
Information  
Score: 8

The 1997 Information Act (Upplýsingalög), revised in 2012, provides a right of access guarantee to official information. Memoranda, working documents, and materials related to the Council of the State (Ríkisráð), cabinet and ministerial meetings were originally exempted. In 2012, a revision to the Act on the Government of Iceland (Lög um Stjórnarráð Íslands) mandated that the agenda of cabinet meetings be presented to the media and published on the

government's website after each meeting. However, a proposal that cabinet meetings be recorded was not included.

Sensitive financial and personal information, as laid out in the Act on Processing and Protection of Personal Data (No. 77/2000), is not accessible unless permission is obtained from the person involved. Access to restricted information is available once the measures associated with the information are complete, after a period of 30 years for general information or 80 years for personal information (as per the National Archives Act, No. 66/1985). Information regarding the security or defense of the state, or international commercial activities is also exempted from the act. Decisions denying access to information can be appealed to the Information Committee, whose members are appointed by the prime minister. No other government or judicial body can overrule the decisions of the Information Committee.

Despite these provisions, public access to information can be restricted. For example, the Central Bank refused a parliamentary committee request to be provided with a transcript or audio recording of a telephone conversation between the prime minister and the central bank's governor shortly before the 2008 economic crash.

The constitutional bill – approved in principle by 67% of the electorate in a 2012 referendum, but later tabled by parliament – contained ambitious freedom of information provisions, similar to those active in Sweden, designed to significantly enhance public access to information kept by the government.

Citation:

The National Archives Act no. 66/1985. (Lög um Þjóðskjalasafn Íslands no. 66/1985).

Information Act (Upplýsingalög). Act no. 50/1996.

Act on Processing and Protection of Personal Data. (Lög um persónuvernd og meðferð persónuupplýsinga) Act no. 77/2000.

Act on the Government of Iceland (Lög um Stjórnarráð Íslands) nr. 115 23. september 2011.

Change of Act on the Government of Iceland (Lög um Stjórnarráð Íslands) nr. 115 23. september 2011.

(Lög um breytingu á lögum nr. 115/2011, um Stjórnarráð Íslands (skrifleg framlagning mála á ríkisstjórnarfundum)).

### Civil Rights and Political Liberties

Civil Rights  
Score: 8

The Icelandic state fully respects and protects civil rights, and courts effectively protect citizens. Where there is evidence of disregard for civil rights, courts rule against the government.

However, there are specific exceptions to this rule. Most importantly, the United Nations Committee on Human Rights (UNCHR) issued a binding opinion in 2007 to the effect that, because of its in-egalitarian nature, the management system of Iceland's fisheries constituted a violation of human rights. It furthermore instructed the government to change the system and to pay damages to those whose rights had been violated. The government responded by promising to pass a new constitution with a provision declaring the country's natural resources to be the property of the nation. The UNCHR dropped the case, saying that Iceland's promise of a new constitution was sufficient. However, the parliament has failed to act on the new constitutional bill.

In 1998, the Supreme Court using the same argumentation ruled that the management system of Iceland's fisheries was unconstitutional. However, the Supreme Court reversed its decision in 2000 under overt political pressure from ministers.

The European Court of Justice has heard several petitions by Icelandic citizens recently that their civil rights have been violated. In almost all of these cases, the European Court of Justice has found in favor of the petitioner, casting doubt on the ability of Icelandic courts to protect civil rights effectively. Most recently, for example, journalists who had been found guilty of libel in Iceland were declared to be innocent of this charge by the European Court of Justice.

A potentially serious complication has resulted from parliament's delay to pass a new constitution, which was approved in a non-binding 2012 referendum by 67% of the voters. Unless the constitution is passed, the next parliamentary election will be framed by laws that the majority of the electorate have rejected and the result of which could be challenged on the grounds of legitimacy.

Citation:

Gylfason, Thorvaldur (forthcoming), Constitution on Ice, forthcoming in *The Politics of the Icelandic Crisis*, eds. Irma Erlingsdóttir, Valur Ingimundarson, and Philippe Urlfalino. — Also available as CESifo Working Paper 5056, November 2014.

Political Liberties  
Score: 9

The 1944 constitution contains provisions protecting the freedom of the press as well as freedoms of organization and assembly. The constitutional bill that won the support of 67% of voters in a 2012 referendum, but which has not been ratified by parliament, aims to revise and broaden individual rights and liberties.

Non-discrimination  
Score: 7

Iceland's constitution states that every person should enjoy equal human rights regardless of gender, religion, opinion, national origin, race, color, property, birth or other status. More specific provisions are to be found in the Penal Code, the Administrative Procedure Act and the Equality Act. The Supreme

Court can rule and has ruled based on those acts and the constitution. The Equality Act states that genders should be accorded equal rights in all areas of society and that discrimination in terms of pay, hiring and employment is against the law. The Center for Gender Equality monitors adherence to this law and is obliged to refer all major cases to the courts.

Although equal rights are guaranteed by law, the reality is that discrimination occasionally occurs in Iceland, especially against women, disabled persons and migrants. In the 2012 presidential elections, blind and physically disabled voters were denied the right to have an assistant of their own choice to help them vote at polling stations. Instead, they had to vote with help from public officials working at the polling stations. Following complaints from the Organization for the Disabled in Iceland (Öryrkjabandalagið), changes to electoral laws that now allow blind or otherwise physically disabled individuals to independently nominate their own assistant, who would be sworn to secrecy. This change was in effect for the 2013 parliamentary elections.

The government's non-compliance with the binding opinion of the United Nations Human Rights Committee, which ruled that the management system of Iceland's fisheries was discriminatory, signals a less-than-full commitment to non-discrimination.

Citation:

The Penal Code (Almenn hegningarlög no. 19/1940).

The Administrative Procedure Act (Stjórnsýslulög no. 40/1993).

The Gender Equality Act (Lög um jafna stöðu og jafnan rétt kvenna og karla no. 10/2008).

Act on changes on the Act on Parliamentary Elections (Lög um breytingu á lögum um kosningar til Alþingis nr. 24/2000 og lögum um kosningar til sveitarstjórna nr. 5/1998 (aðstoð við kosningu). Lög nr. 111 16. október 2012.

### Rule of Law

Legal Certainty  
Score: 9

Icelandic state authorities and administration respect the rule of law, and their actions are generally predictable. However, there have been cases in which verdicts by Icelandic courts and government actions have been overruled on appeal by the European Court of Human Rights. There have also been examples of Supreme Court verdicts that have been overruled by the European Court of Justice. Some of these cases have dealt with journalists' free-speech rights.

A recent case of a different kind has a bearing on legal certainty. The Supreme Court ruled, first in June 2010 and more recently in April 2013, that bank loans indexed to foreign currencies were in violation of a 2001 law. This means that the asset portfolios of Icelandic banks contained invalid loans. These examples demonstrate that the banks acted contrary to the law. Neither the government nor any government institution, including the Central Bank and the Financial Supervisory Authority, paid sufficient attention to this problem while it was going on. A governor of the Central Bank was even among those who had drafted the 2001 legislation. Even after the Supreme Court ruled that these loans were null, the banks have been slow to recalculate the thousands of affected loans. Individual customers have had to sue the banks in an attempt to force them to follow the law.

A related issue that may arise relates to legislation that prohibits foreign ownership of Icelandic fishing quotas for more than one year. It is not known to what extent foreign creditors have accepted as collateral ownership of fishing quotas. This could be a complicated issue for the courts to resolve.

Citation:

Lög um vexti og verðtryggingu (Law on interest and indexation) no. 38 2001.

Judicial Review  
Score: 7

Iceland's courts are not generally subject to pressure by either the government or powerful groups and individuals. The jurisdiction of the Supreme Court to rule on whether the government and administration have conformed to the law is beyond question. According to opinion polls, confidence in the judicial system ranged between 50% and 60% before 2008. Although it collapsed to about 30% in 2011, it recovered to 39% in 2013 and 43% in spring 2014.

Many observers consider the courts biased, because almost all judges attend the same law school and have attended universities abroad. Of the six Supreme Court justices, who ruled that the constitutional assembly election of 2010 was null and void, five were appointed by ministers of justice belonging to the same party (the Independence Party) as the three individuals who filed the complaints.

Since the 2011 merger of the Ministry of Justice and Human Rights, and the Ministry of the Interior, judges have been appointed by the Minister of the Interior. All vacancies are advertised and the hiring procedure is transparent. However, some appointments to the Supreme Court and district courts have caused controversy.

In connection with Iceland's application for EU membership in 2009, the EU expressed concern over the recruitment procedures for judges. The

constitutional bill, which was approved by 67% of voters in a non-binding 2012 referendum, proposed that judicial appointments should be approved by the president or by a majority of two-thirds in parliamentary vote.

In 2014, a recently retired Supreme Court Justice (one of the above-mentioned six judges) demanded publicly that the Minister of the Interior sue the Supreme Court Chief Justice for breaking the law and remove him from office.

Citation:  
[www.capacent.is](http://www.capacent.is)

Appointment of  
Justices  
Score: 3

All Supreme Court and district court judges are appointed by the Minister of the Interior, without any involvement from or oversight by any other public agency. However, all vacancies on the Supreme Court are advertised and the appointment procedure is at least formally transparent. As part of the appointment process, a five person evaluation committee is appointed and tasked with recommending a single applicant. A 2010 change to the Act on Courts restricted the minister's ability to appoint any person not found to be sufficiently qualified by the committee, unless such an appointment is approved by the parliament. This represents some restriction to the minister's authority and introduces an external review.

Many appointments to the courts continue to be controversial. In many cases, the scrutiny of Supreme Court candidates seems to be superficial. For instance, little attention is given to how regularly rulings by lower court judges are overturned by the Supreme Court. Furthermore, a controversially appointed, but now retired, Supreme Court justice published a book in 2014 which criticizes his former court colleagues for their alleged opposition to his appointment as well as for some of their verdicts that he deemed misguided (Jón Steinar Gunnlaugsson, 2014).

Under the terms of the proposed constitutional bill, judicial appointments would have to be approved by the president or by a majority of two-thirds in parliamentary vote.

Citation:  
Act on Courts. (Lög um dómstóla nr. 15 25. mars 1998).

Change of the Act on Courts. (Lög um breyting á lögum um dómstóla nr. 15 1998 með síðari breytingum (skipun dómara) nr. 45 26. maí 2010).

Gunnlaugsson, Jón Steinar (2014), Í krafti sannfæringar, Forlagið, Reykjavík.

Corruption  
Prevention  
Score: 6

Financial corruption in politics is not a serious problem in Iceland, but in-kind corruption – such as, granting favors and paying for personal goods with public funds – does occur. Regulatory amendments in 2006, which introduced requirements to disclose sources of political party financing, should reduce such corruption in the future.

In very rare cases, politicians are put on trial for corruption. Iceland has no policy framework specifically addressing corruption, because historically corruption has been considered a peripheral subject. However, the appointment of unqualified persons to public office, a form of in-kind corruption, has been and remains a serious problem. Other, subtle forms of in-kind corruption, which are hard to quantify, also exist. The political scientist Gissur Ó. Erlingsson claims that corruption in mature democracies, including Iceland, is perhaps more of the character of nepotism, cronyism and "You scratch my back, I'll scratch yours."

The collapse of the Icelandic banks in 2008 and the subsequent investigation by the Special Investigation Committee, among other bodies, highlighted the weak attitude of government and public agencies toward the banks, including weak restraints and lax supervision before 2008. Moreover, three of the four main political parties, as well as individual politicians, accepted large donations from the banks and affiliated interests. When the banks crashed, 10 out of the 63 members of parliament owed the banks the equivalent of more than €1 million each. Indeed, these personal debts ranged from €1 million to €40 million, with the average debt of the 10 MPs standing at €9 million. The 10 highly indebted MPs include the current Minister of Finance and Minister of the Interior. The Special Investigation Committee did not report on legislators that owed the banks lesser sums, say €500,000. At the time of writing, it is not clear whether these loans have been or will be repaid or have been written off.

In May 2011, a former Ministry of Finance cabinet secretary was found guilty of insider trading (*innherjaviðskipti*) as a result of having sold his stock in Landsbanki just before the economic collapse in October 2008. The ruling court found that the information the official had access to and through his job position and subsequently acted on constituted insider trading. The Supreme Court sentenced the cabinet secretary to two years in prison and ordered him to pay back the money he had saved as a result of his actions, but the ruling did not include the interest he earned on the money. In November 2011, parliament passed a law that obliges members of parliament to declare their financial interests, including salaries, means of financial support, assets and jobs outside parliament. This information is publicly available on the parliament's website.

**Gallup (2013) reports that 67% of Icelandic respondents consider Icelandic politics corrupt compared with 14% in Sweden and 15% in Denmark.**

Citation:

Erlingsson, Gissur Ó. (2014): CORRUPTION IN LOW CORRUPT COUNTRIES: THE CASE OF SWEDEN. Open lecture given at the University of Akureyri, Iceland 19th September 2014.

Special Investigation Committee (SIC) (2010), "Report of the Special Investigation Commission (SIC)," report delivered to Althing, the Icelandic Parliament, on 12 April.

Rules on registration of parliamentarians financial interests. (Reglur um skráningu á fjárhagslegum hagsmunum alþingismanna og trúnaðarstörfum utan þings. Samþykkt í forsætisnefnd Alþingis 28 nóvember 2011.).

<http://www.gallup.com/poll/165476/government-corruption-viewed-pervasive-worldwide.aspx>

# Governance

## I. Executive Capacity

### Strategic Capacity

Strategic  
Planning  
Score: 3

Long-term strategic planning in Iceland is often vague, with comparatively weak execution, supervision and revision of plans. When specific objectives are established in the policy planning phase, a lack of sufficient incentives or institutional mechanisms typically limit their realization. As a result, government can delay or change implementation of strategic plans. For example, the parliament approves a strategic regional policy every four years (Stefnumótandi byggðaaáætlun), but – as this plan has the status of a parliamentary resolution rather than law – the government has no binding obligation to implement the plan. Consequently, only certain aspects of these four year plans have ever been implemented.

Policymaking is monitored by cabinet ministers, who rely on their respective ministerial staff for advice and assistance.

Under the new government, traditional non-partisan channels within public administration have been replaced with politically appointed advisers.

Citation:

Special Investigation Committee (SIC) (2010), “Report of the Special Investigation Commission (SIC),” report delivered to Althing, the Icelandic Parliament, on 12 April.

Parliamentary resolution on regional policy (Tillaga til þingsályktunar um stefnumótandi byggðaaáætlun fyrir árin 2010–2013. Þskj. 43 — 42. mál).

Scholarly Advice  
Score: 6

The government occasionally consults academic experts. Typically these experts are trained lawyers, who provide advice on the preparation of specific laws or public administration practices, but economic and engineering experts have also been consulted. Moreover, these experts are often affiliated with the political party of respective minister seeking their advice. Meanwhile independent experts involved in the policy process have previously

complained that their views were ignored. Thus, impartial, non-governmental experts should not be considered to have had a strong influence on decision-making.

However, the 2008 economic collapse changed this pattern. The need for scholarly advice on judicial, financial and economic issues, as well as on questions of public administration, increased markedly. This was particularly the case with the April 2010 parliamentary Special Investigation Committee (Rannsóknarnefnd Alþingis) report, which investigated the causes of the economic collapse. A number of experts in various fields – including law, economics, banking, finance, media, psychology and philosophy – contributed to the report. While no data exists on the broader use of expert advice in governmental decision-making, the Special Investigation Committee experience may have expanded the role of experts overall.

Academic experts called upon to advise the government are commonly viewed as being politically partisan. This has reduced public confidence in academic expertise in Iceland.

### Interministerial Coordination

GO Expertise  
Score: 6

The Prime Minister's Office has the fewest staff members of any of the country's ministries and a limited capacity for independently assessing draft bills. The previous government merged a number of ministries together, reducing the total number of ministries from 12 to eight. A primary justification was that some ministries lacked broad-based expertise and the merger would make this expertise more widely accessible, which has in some cases been achieved. The new government partially reversed this reform in 2013 by appointing separate ministers for the Ministry of Welfare's subdivisions of Social Affairs and Housing, and Health Affairs. This increased the number of ministers from eight to nine. Further splits are planned, but at the time of writing nothing further has been implemented.

GO Gatekeeping  
Score: 10

The Prime Minister's Office has no formal authority. Formally issues can only be approved in cabinet if a unanimous decision is reached by ministers. In practice, however, prime ministers can return items to cabinet despite this authority not being explicitly granted by law.

Line Ministries  
Score: 8

Due to a strong tradition of ministerial independence, ministries have considerable flexibility in drafting their own policy proposals without consulting the Prime Minister's Office. Although, where a minister and prime minister belong to the same party, there is usually some Prime Minister's Office involvement. However, where the minister and prime minister belong to separate coalition parties the Prime Minister's Office has little to no involvement in policy development. After the publication of the Special

Investigation Committee report, a committee was formed to evaluate and suggest necessary steps toward the improvement of the public administration. In order to improve working conditions within the executive branch, the committee proposed introducing legislation to clarify the role and responsibilities of the prime minister. However, this was not implemented during the terms of either the previous or current governments.

Citation:

Skýrsla starfshóps forsætisráðuneytisins (2010): Viðbrögð stjórnáslunnar við skýrslurannsóknarnefndar Alþingis. Reykjavík, Forsætisráðuneytið.

Cabinet  
Committees  
Score: 6

Cabinet committees rarely prepare cabinet meetings, though the Budget Committee and some ad hoc committees are exceptions. However, the majority of items on cabinet meeting agendas are prepared by ministers often with two or more ministers coordinating the cabinet meeting. The the immediate aftermath of the 2008 economic collapse cooperation between ministers increased, particularly between the prime minister, the minister of finance and the minister of commerce. However, this change was temporary and intended only to facilitate the cabinet's immediate reactions to the 2008 economic collapse. In February 2013, new regulations were introduced, which permit the prime minister to create single-issue ministerial committees to facilitate coordination between ministers where an issue overlaps their authority areas.

Records must be kept of all ministerial committee meetings, but these are not made public. Six ministerial committees exist, at the time of writing, to coordinate overlapping policy issues. These include: the Ministerial Committee on Public Finances (Ráðherranefnd um ríkisfjármál), with four ministers; the Ministerial Committee on National Economy (Ráðherranefnd um efnahagsmál), with four ministers; the Ministerial Committee on Equality (Ráðherranefnd um jafnréttismál), with four ministers; the Ministerial Committee on Solutions for the Debts of the Families (Ráðherranefnd um úrlausnir í skuldamálum heimilanna), with four ministers; Ministerial Committee on Arctic Affairs (Ráðherranefnd um málefni norðurslóða), with four ministers; and the Ministerial Committee on Public Health Affairs (Ráðherranefnd um lýðheilsumál) with four ministers.

Citation:

Rules on procedures in ministerial committee meetings. (REGLUR um starfshætti ráðherranefnda. Nr. 166/2013 22. febrúar 2013).

Ministerial  
Bureaucracy  
Score: 7

Ministry officials and civil servants play an important role in preparing cabinet meetings. However, according to a 1969 public administration law, no cooperation between ministries is presumed in cases when the ministers themselves are not involved. As a consequence of the strong tradition of

Informal  
Coordination  
Score: 7

ministerial power and independence, the involvement of too many ministries and ministers has been found to be a barrier to policymaking. Currently, coordination between ministries is irregular. The prime minister has the power to create coordination committees, but there has been no significant increase in the number of active committees.

There is evidence that informal cooperation between ministers outside of formal cabinet meetings is increasing. These cooperative ministerial clusters were referred to in the Special Investigation Committee's 2010 report as "super-ministerial groups." The Special Investigation Committee report pointed out that examples of such cooperation immediately after the 2008 economic collapse demonstrated a need for clear rules on reporting what is discussed and decided in such informal meetings. The Special Investigation Committee report also identified a tendency to move big decisions and important cooperative discussions into informal meetings between the chairmen of the ruling coalition parties. However, the report's call for clearer regulation has not been acted upon and informal meetings continue without proper reporting. The Special Investigation Committee report also pointed out that the minutes kept at ministerial meetings have been inadequate, as have those taken during parliamentary committee meetings. In January 2013, legislation regulating the procedures for cabinets were introduced, but this legislation only addresses formal cabinet meetings and not informal ministerial meetings.

Citation:

The SIC report from 2010. Chapter 7. (Aðdragandi og orsakir falls Íslensku bankanna 2008 og tengdir atburðir (7). Reykjavík. Rannsóknarnefnd Alþingis).

Reglur um starfshætti ríkisstjórnar. Nr. 11/2013. 9. janúar 2013. (Rules on procedures in cabinets).

### Evidence-based Instruments

RIA Application  
Score: 1

Iceland has no history of conducting regulatory impact assessments.

Quality of RIA  
Process  
Score: 1

There is no tradition of regulatory impact assessments in Iceland. Therefore, the issues of participation, transparency and quality of evaluation are not relevant in this context.

Sustainability  
Check  
Score: 1

There is no tradition of regulatory impact assessments in Iceland. Therefore, sustainability checks are not relevant in this context.

Negotiating  
Public Support  
Score: 6

### Societal Consultation

Iceland has a long tradition of formal and informal consultation between government and labor-market associations. The 2008 economic collapse led to greater and closer consultation. In February 2009, the government, the municipalities and the major labor-market associations signed the so-called Stability Pact (Stöðugleikasáttmáli). The main goals of the Stability Pact was, through a restructuring of the economy, to reduce the inflation rate, bring the public budget deficit below 10% of GDP and enable the króna to strengthen against foreign currencies. However, open conflict between the government and labor-market associations quickly emerged, with labor-market associations arguing that not enough had been done to create jobs. In the spring of 2010, the main employers' association withdrew from the pact.

The process of the revising the 1944 constitution also provides an example of public consultation. The intention of this process, initiated by the parliament in 2009, was to create a people's constitution as opposed to a technocratic one. Accordingly, a national assembly, comprising 950 individuals selected at random from the national registry, was created. In addition, a national election nominated a further 25 constituent assembly representatives chosen from a list of 522 candidates. However, the Supreme Court invalidated the election to the constitutional assembly on technical grounds, which is the first such invalidation of a national election in an OECD country. In response, the assembly was renamed the Constitutional Council and the parliament appointed the 25 previously elected representatives.

The Constitutional Council engaged in a wide-ranging process of consultation, inviting the general public to participate in the project through the council's interactive website. After four months of work, it unanimously passed the world's first crowd-sourced constitution. In a non-binding 2012 national referendum, 67% of voters expressed their support for this constitutional bill and the six separate provisions presented in the referendum each received between 57% and 83% approval from voters. Despite this high level of popular support, the constitutional bill remains in limbo having not received the ratification of parliament. This is the first example of the parliament having failed to respect the result of a consultative referendum.

The new government has repeatedly declared its intention to renege on its promise to hold a referendum on the outcome of accession negotiations to the EU. However, public demonstrations against these declarations has caused the government to delay its final decision.

Citation:

Constitutional Bill (2012), <http://www.thjodaratkvaedi.is/2012/en/proposals.html>

Euractiv.com, <http://www.euractiv.com/enlargement/icelanders-opens-way-crowdsourcing-ews-515543>

### Policy Communication

Coherent  
Communication  
Score: 7

The government of Iceland generally speaks with one voice. However, in the so-called West Nordic administrative tradition, where a minister is responsible for institutions subordinate to their ministry, every minister has the power to make decisions without consulting other ministers. Nevertheless, ministers rarely contradict one another and generally try to reach decisions through consensus.

However, the previous government proved to be an exception to this tradition. In late 2009, members of the Left-Green Movement parliamentary group, including government ministers, opposed measures brought before the parliament by the government. Later, three Left-Green Movement legislators withdrew from the governing party coalition. This brought the government close to the threshold of becoming a minority government and forced it to negotiate with the opposition on contentious issues. Jón Bjarnason, the Minister of Fisheries and Agriculture between 2009 and 2011, left the government in 2011 in opposition to Iceland's application to become a member of the EU. However, despite internal dissent, the previous government's coalition arrangement held together to the end of its mandated term.

Since the formation of the new government, comprised of the Progressive Party and the Independence Party, the situation has reverted to the traditional Nordic practice. Although, the leaders of the two coalition parties have issued several conflicting statements regarding, for example, the relaxation of capital controls.

### Implementation

Government  
Efficiency  
Score: 6

As a rule, the strength of the executive branch, with respect to the legislative branch, ensures that bills proposed by the government are rarely rejected by parliament. Thus, governments are usually able to achieve all of their policy objectives.

However, legislative proposals by the previous government were twice overturned, in 2009 and 2011, by the public in national referenda. On both occasions, the referenda concerned the introduction of government guarantees

for losses experienced by Icelandic bank account holders based in the UK and the Netherlands. In both cases, the president refused to sign into effect the government's legislative proposal, which triggered a constitutional clause referring the proposed legislation to a national referendum.

Other examples of executive weakness include the failure of the previous government to deliver on three important elements of its platform: a new constitution, a reform of the system managing Iceland's fisheries and a deal on Iceland's accession to the EU that could be put to a national referendum. These failures were partly due to internal disagreements and partly due to the obstructive tactics of the opposition, including extensive filibustering for the first time in the history of the parliament.

So far, the new government has had no significant problems in implementing its policy objectives. Although, the constitution right of the president to refuse to ratify laws and refer them to a national referendum remains intact.

Ministerial  
Compliance  
Score: 9

Ministers usually follow party lines, but individual ministers have considerable authority to make independent decisions. However, non-collective decisions are rare.

The previous government, dissent between ministers had little to do with specific ministerial actions. For example, when the parliament voted in 2009 on Iceland's application for EU membership, one government minister, Jón Bjarnason from the Left-Green Movement officeholders, voted against the resolution. Bjarnason repeatedly expressed his opposition to Iceland's accession to the EU throughout his tenure. The new government has experienced no such ministerial divisions.

Monitoring  
Ministries  
Score: 10

In early 2013, regulations regarding the monitoring and oversight of ministries were introduced for the first time. Under these regulations, the Prime Minister's Office must review bills from all ministries, with the exception of the national budget bill. Accordingly, all bills need to be sent to the Prime Minister's Office no later than one week before the respective cabinet meeting. Before the bill can be discussed by the cabinet, a statement from the Prime Minister's Office needs to be processed (Reglur um starfshætti ríkisstjórnar, No. 11/2013). This regulatory change is a step toward stronger, formal monitoring of ministerial bills.

Citation:

Regulations on government procedures. (Reglur um starfshætti ríkisstjórnar. Nr. 11/2013 9. janúar 2013).

Monitoring  
Agencies,  
Bureaucracies  
Score: 3

The monitoring of public agencies by ministries is weak. Public agencies and government ministries have often spend more money than allotted to them in the government budget. This problem has been exacerbated by the limited

capacity of the National Audit Office (Ríkisendurskoðun) to monitor the activities of those agencies within its jurisdiction. From 2000 to 2007, the National Audit Office audited only 44 out of 993 or 4.4% of the agencies within its jurisdiction. In 2009, almost half of the National Audit Office's efforts (43%) were diverted to financial auditing related in some way to the economic collapse and its consequences. Moreover, National Audit Office's resources have been cut. Between 2011 and 2012, the number of personnel were reduced from 47 to 42. Consequently, the effectiveness of the National Audit Office has decreased in recent years.

Citation:

Nation Audit Office Annual Report 2012. (ÁRSSKÝRSLA RÍKISENDURSKOÐUNAR 2012. APRÍL 2013).

Nation Audit Office Annual Report 2013. (ÁRSSKÝRSLA RÍKISENDURSKOÐUNAR 2013. APRÍL 2014).

Task Funding  
Score: 8

The issue of grant-based funding has been a constant source of conflict between local and central governments. Meanwhile, the division of responsibilities between the central government and local governments has changed, but not radically. In 1996, full responsibility for primary education was transferred from the central government to local governments. In general, this transfer of responsibilities has been achieved without imposing a heavy financial burden on local governments. However, some of the smallest municipalities have experienced fiscal difficulties, as a result of these transfers, and have been forced to amalgamate services with neighboring municipalities. Full responsibility for services for disabled individuals was transferred to local governments in 2010 and took effect in January 2011, without conflicts concerning funding arrangements arising between the central government and local governments. Further transfers of responsibility, for example, are planned. However, those negotiations have postponed due to disagreements over funding arrangements between central government and local governments.

Constitutional  
Discretion  
Score: 10

Local government in Iceland has no constitutional status, beyond a paragraph in the 1944 constitution that states that municipal affairs shall be decided by law. The Local Government Act (Sveitarstjórnarlög) states that local governments shall manage and take responsibility for their own affairs. The parliament or the responsible ministry – currently the Ministry of the Interior – have the power to take decisions that affect local government. However, beyond these decisions, local governments are free to engage in any governing activities that are not forbidden by law. The proposed constitutional bill has a provision on local governments.

## Citation:

Eythórssón, Grétar (1999): The Iceland National Report. In Jacob, Linder, Nabholz and Heierli (eds.): Democracy and Local Governance. Nine Empirical Studies. Institute of Political science, University of Bern, Switzerland (p. 62-88).

Local Government Act. (Sveitarstjórnarlög nr. 128/2011).

National  
Standards  
Score: 8

A diverse set of special laws set national minimum standards for the provision of local government services. These laws relate particularly to primary education, child protection and social services standards. However, central government proven of consistently monitoring compliance with these standards.

**Adaptability**

Domestic  
Adaptability  
Score: 7

While not a member of the EU, Iceland has since 1994 been a member of the European Economic Area (EEA), and has integrated and adapted EU structures into domestic law to a considerable extent. Under the EEA agreement, Iceland is obliged to adopt around 80% of EU law. Iceland is also responsive to comments made by the Council of Europe, countries belonging to the Schengen Agreement and UN institutions. As one of the five full members, Iceland is bound by every unanimous decision of the Nordic Council of Ministers. However, the council deals only with issues connected to Nordic cooperation. The structure and organization of Iceland's government accords well with international practice, and seems to be under constant review. The previous government attempted to streamline and rationalize the ministry structure in order to weaken the long-standing links between special-interest organizations and the ministries. Through a process of mergers, the number of ministries was reduced from 12 to eight. Among these, the Ministry of Interior was established through the merger of the Ministry of Communication and Municipal Affairs and the Ministry of Justice. Similarly, the Ministry of Industries and Innovation was established by merging the Ministry of Agriculture, the Ministry of Fisheries and the Ministry of Industry together. Meanwhile, the Ministry of Welfare was established by merging the Ministry of Social Affairs with the Ministry of Health Affairs. The new government has partially reversed some of these mergers and has increased the number of ministers from eight to ten.

International  
Coordination  
Score: 5

Iceland is an active participant in international forums, but seldom initiates measures. Iceland was a founding member of the UN, the IMF, the World Bank, and NATO. In 2008, Iceland sought a UN Security Council seat, but lost eventually lost out to Austria and Turkey. Largely, Iceland has worked cooperatively within international frameworks, but has not led any significant process of international coordination. Iceland did participate in peacekeeping efforts in Iraq and modestly participates in the work of the Organization for Security and Cooperation in Europe. In 2009, Iceland applied for EU

membership. Negotiations were ongoing, despite increasing skepticism among left- and right-wing politicians, until a compromise between the new government's coalition partners temporarily froze the process in early 2013. While the new government initially announced its intention to formally and entirely withdraw Iceland's application, public protests and a petition signed by 22% of the electorate has caused the government to pause leaving Iceland's application process on hold.

Citation:

The Icelandic webpage on the negotiations: <http://eu.mfa.is/negotiations/status-of-talks/nr/7109>.

### Organizational Reform

Self-monitoring  
Score: 5

Iceland has no formal political or administrative system of self-monitoring organizational reform. Monitoring of institutional arrangements is irregular. Institutional arrangements are occasionally reviewed. For example, the previous government reshuffled several ministerial portfolios to strengthen policy coordination and administrative capacity. However, the new government immediately reversed some of these mergers, increasing the number of cabinet ministers from eight to nine.

Institutional  
Reform  
Score: 8

Iceland's recent governments have sought to improve the central government's strategic capacity by reviewing ministerial structures. The 2007 to 2009 government initiated this process, while the previous government took continued this process by reducing the number of ministries from 12 to eight and reshuffling ministerial responsibilities. Some of the ministries were administratively weak, because of their small size. The capacity of these small ministries to cope with complex policy issues, such as international negotiations, was inefficient and ineffective. Further, the informality of small ministries was a disadvantage. The new government, however, has partially reversed these reforms by again increasing the number of ministers by two.

## II. Executive Accountability

### Citizens' Participatory Competence

Policy  
Knowledge  
Score: 9

Iceland's citizens are well informed about government policy. In local surveys, most citizens demonstrate familiarity with public policies, especially with respect to policies that either interest or directly affect them. This is more true of domestic policies than international politics, because the complexity of Iceland's political landscape is comparatively low. By international standards,

it is relatively easy to develop a comprehensive overview of the politics, parties and policy issues in Iceland. The extensive interpersonal networks between citizens and the geographical isolation of the country, contributes to the domestic focus of Iceland's politics.

The immediate responses of some voters, to the 2008 economic collapse, demonstrates an ability on the part of some to quickly adapt to changed circumstances. In surveys connected to the 2007 and 2009 parliamentary elections, the percentage of voters agreeing with the statement that Iceland was mainly governed in accordance with the popular will declined from 64% in 2007 to 31% in 2009. Furthermore, the defeat of the four traditional national parties in the 2010 local government elections followed a dramatic decline in public trust in politicians and political institutions. In the biggest municipalities, Reykjavik and Akureyri, non-traditional parties were elected to power. This trend was accentuated by the publication of the highly critical Special Investigation Committee report six weeks before the elections. In the 2013 parliamentary elections, the Progressive Party (Framsóknarflokkurinn) made the largest proportionate gains, increasing their vote share from 14.8% to 24.4%. This increase was due to the party's election pledge to write off up to 20% of homeowners' mortgage debts. In the same election, the previous governing coalition lost more than half of their combined seats. The new government is led by the Progressive Party.

The public debate surrounding two national referenda, in 2009 and 2011 concerning the so-called Icesave policy, suggest strong public interest in the issue. Similarly, the 2012 national referendum on the constitutional bill secured a turnout of 49% of the electorate, despite the disparaging attitude of the traditional political parties. Yet, the low levels of public trust in politicians and the associated increase in political apathy, has led to a noticeable decrease in how well informed citizens are about national and international affairs. In the 2014 local government elections, voter turnout declined further. In 2006, voter turnout had been 78.7%, in 2010 it declined to 73.5% and in 2014 it dropped to 66.5%. Turnout among people aged 18 to 25 years old is especially low.

Citation:

Önnudóttir, E.H. and Hardarson, Ó. Th. (2009): Óánægðir lýðræðissinnar: Afstaða Íslendinga til lýðræðis. (Dissatisfied democrats: The Icelanders' attitudes toward democracy). In Gudmundsson, H.S. and Ómarsdóttir, S. B. (2009) Rannsóknir félagsvísindum X. Reykjavík, Háskólaútgáfan.

Eythórsson, G & Kowalczyk, M (2013): Explaining the low voter turnout in Iceland's 2010 local government elections. In: Samtíð. An Icelandic journal of society and culture. Vol 1. 2013. (<http://samtid.is/index.php/samtid/article/view/2>)

Félagsvísindastofnun Háskóla Íslands (2014): Sveitarstjórnarkosningarnar 2014: Hverjar eru ástæður dræmrar kjörsóknar? (Which are the main reasons for the low voter turnout in the Local Government elections in 2014?).

### Legislative Actors' Resources

Parliamentary  
Resources  
Score: 3

Parliamentarians have access to experts employed by the parliament. While the 28-person Committee Department (Nefndasvið) is tasked with assisting the parliament's standing committees, individual members can also turn to this department for assistance. However, the limited capacity of the Committee Department, combined with its primary mandate to assist the parliament's standing committees, restricts its ability to effectively assist more than 50 of the total 63 MPs. Although, ministers also have access to other resources. The 2007 to 2009 government enabled MPs, whose constituencies are located outside of the capital area, to hire half-time personal assistants. The aim of this was to improve MPs access to information and expertise. However, this policy was ended after the 2008 economic collapse, due to parliamentary budget cuts.

Obtaining  
Documents  
Score: 7

The Information Act (Upplýsingalög, No. 140/2012) grants standing parliamentary committees the right to request government documents relating to their work, with the exception of classified documents. Exempted documents include: minutes, memos and other documents from cabinet meetings; letters between the government and experts for use in court cases; and working documents marked for government use only, excluding those containing a final decision about a case or information that cannot be gathered elsewhere.. The government can restrict access to documents if it can make a case that there is an exceptional public security risk, such as national security, international relations or business agreements. The Committee on Foreign Affairs has a special legal status, which allows it to request government documents that would enable it to fulfill its legal obligations. The chair of the committee and the foreign minister can decide to keep the discussions and decisions of the committee confidential. The Budget Committee can also request the government documents it needs to fulfill its legal obligations.

In a case relating to the so-called most expensive telephone call in Icelandic history, the Central Bank refused to comply with a parliamentary committee request to release the recording or transcript of a telephone conversation, which took place shortly before the 2008 economic collapse, between the prime minister and the Central Bank's governor. This dispute remains unresolved demonstrating that the right of parliamentary committee's to request access to information is not the equivalent of a right to obtain information.

Citation:

The Information Act (Upplýsingalög nr. 142/2012)

Summoning  
Ministers

Parliamentary committees can legally summon ministers for hearings, but seldom do so. The foreign minister is summoned and usually attends meetings

Score: 9

of the Committee on Foreign Affairs. The relative representation of each party across and within parliamentary committees reflects the relative representation of each party in the parliament

The Special Investigation Committee, which was created in December 2008 to investigate the processes that led to the collapse of Iceland's three main banks, summoned several ministers and ex-ministers over the course of 2009 to 2010.

The most notable example of a prominent politician being held accountable was the 2010 indictment of Prime Minister Geir Haarde by parliament, which led to a trial in 2012 before the High Court of Impeachment. Haarde was found guilty on one count of negligence relating to his tenure as prime minister before the 2008 economic collapse. He was found guilty of neglecting to hold cabinet meetings, during the first months of 2008, on important issues relating to the economic collapse. This obligation is stated in paragraph 17 of the Constitution. Despite being found guilty, Haarde was not given a custodial sentence and was appointed ambassador to the US in 2014.

Summoning  
Experts  
Score: 10

Independent experts are frequently asked to appear before standing parliamentary committees. Following the 2008 economic collapse, committees have more frequently summoned experts, particularly lawyers, economists, and finance and banking experts. Furthermore, political scientists were asked to give advice relating to the drafting of a new constitution. However, no substantive minutes are recorded of expert testimonies before parliamentary meetings. There have been examples documented of experts making outlandish statements in their testimonies (Gylfason, 2014).

Citation:

Gylfason, Thorvaldur (2014), *Tvöfalt líf — Allir segjast vera saklausir ... samtal við Þráin Bertelsson*, Tímarit Máls og menningar, 4. hefti.

Task Area  
Congruence  
Score: 5

Since the new government came to power, only four of the eight standing parliamentary committees fully coincided with ministry responsibilities: the Economic Affairs and Trade Committee (Efnahags- og viðskiptanefnd) coincided with the Ministry of Finance and Economic Affairs (Fjármála- og efnahagsráðuneytið); the Industrial Affairs Committee (Atvinnuveganefnd) coincided with the Ministry of Industries and Innovation (Atvinnuvega- og nýsköpunarráðuneytið); the Foreign Affairs Committee (Utanríkismálanefnd) coincided with the Ministry of Foreign Affairs (Utanríkisráðuneytið); and the Welfare Committee (Velferðarnefnd) coincided with the Ministry of Welfare (Velferðarráðuneytið). Others did not coincide and the Ministry of Welfare was split up between two ministers by the new government.

Two of the standing parliamentary committees have a special role with respect to the government. The committee responsible for financial issues and budget

preparation has the authority to request information from institutions and companies that ask for budgetary funding. The Committee on Foreign Affairs has advisory status vis-à-vis the government regarding all major international policies and the government is obliged to discuss all major decisions concerning international affairs with the committee.

Parliamentary committees rarely oppose the ministries, as party affiliation of committee members reflects the parliamentary dominance of the governing parties. Thus, the fact that the task areas of parliamentary committees and ministries nearly coincide is not a guarantee of effective monitoring. Minority members from the opposition benches can, however, use the committees as a venue to voice their opinions.

Audit Office  
Score: 10

Iceland's National Audit Office is fully accountable to parliament. Considering its substantial human and financial resource constraints, the National Audit Office performs its functions quite effectively. These constraints, however, mean that a majority of the agencies under its jurisdiction have never been audited. No significant strengthening of the office's financial resources has occurred in recent years, while its staff numbers have been reduced from 49 in 2009 to 42 in 2013.

Ombuds Office  
Score: 10

The Parliamentary Ombudsman (Umboðsmaður Alþingis), established in 1997, investigates cases both on its own initiative and at the request of citizens and firms. It is independent in its work, efficient and well regarded. The office has 12 staff members, including eight lawyers.

## Media

Media Reporting  
Score: 6

Iceland's main TV and radio stations provide fairly substantive in-depth information on government decisions. Radio analysis typically tends to be deeper than that found on television. The small size of the market limits the financial resources of TV stations. Critical analysis of government policies by independent observers, experts and journalists is a fairly recent phenomenon in Iceland. The Special Investigation Committee report had a separate chapter on the media before and during the 2008 economic collapse. The report criticizes the media for not being critical enough in their coverage of the Icelandic banks and other financial institutions before the 2008 economic collapse. The report argues, on the basis of content analyses of media coverage of the banks, that the media was to a biased toward the banks. This bias is associated with overlapping ownership of the banks and media companies. For , Jón Ásgeir Jóhannesson, who was one of Iceland's richest business figures and was deeply connected to the 2008 economic collapse, continues to hold a near majority share in the ownership of Iceland's largest private media company, 365 Miðlar, which owns a TV station (Stöð2), several radio stations (including Bylgjan), one daily newspaper (Fréttablaðið) and the Internet website Visir.is.

Jóhannesson's wife holds more than 90% of 365-miðlar stocks. However, Jóhannesson has relinquished his ownership of the respective bank.

### Parties and Interest Associations

Intra-party  
Democracy  
Score: 8

In the 2013 parliamentary elections, four out of 15 parties gained more than 10% of the votes. These four parties constitute Iceland's traditional four-party system. These four parties all hold their national conventions, which are the supreme decision-making forums for the parties, every second year. The conventions issue resolutions on major public policy issues, which oblige the MPs of the respective party to abide by these directives. Representatives from the regional and local party units of all parties have the right to participate in party conventions. The number of representatives attending is proportional to the number of party members in each unit. The nomination processes vary slightly among parties. All parties, except the Progressive Party, have primary elections in which only party members have the right to vote. Although, in the case of the Social Democrats, a signed declaration of support is required, rather than the stricter and more common requirement to be a party member. The Progressive Party have different rules, under which most constituencies have a constituency board (Kjördæmisráð) that selects candidates to a constituency congress (Kjördæmisþing). The number of representatives of each local party unit is equal to the proportion of each unit's membership to the total membership of all units. At these congresses, candidates are elected one by one. Two other parties had candidates elected to the parliament in 2013. These were Bright Future (Björt Framtíð), who won 6 seats, and the Pirate Party (Píratar), who won 3 seats. These new parties have not yet established complete procedures for internal decision-making.

Association  
Competence  
(Business)  
Score: 8

The main interest organizations in Iceland continue to have considerable influence on public policymaking and engagement with political parties.

The Confederation of Icelandic Employers (Samtök atvinnulífsins) has informally, but closely associated with the right-wing Independence Party. Likewise, the Icelandic Confederation of Labor (Alþýðusamband Íslands) has maintains close links to the parties on the left, though its formal ties to the Social Democratic Party were severed in 1942. Until its breakup in the 1990s, the cooperative movement, with its strong ties to the agricultural sector, was closely linked to the Progressive Party (Framsókn), which has its origins in the farmers' movement.

All major interest organizations have a staff of skilled employees. who create research-based policy proposals that are usually well grounded, coherent and in line with the organizations' goals.

After the 2008 economic collapse, the employers' organization, the employees' organizations, the government and the Federation of Municipalities signed an agreement that aimed to achieve economic stability (Stöðugleikasáttmáli). The agreement dealt proposed a restructuring of the economy through wage and price freezes, among other issues.

During previous government's tenure, the Federation of Icelandic Fishing Vessel Owners resisted government plans to change regulation of fishing quotas. However, the federation unable to prevent a considerable increase in the fees paid by owners of fishing vessel owners to the government. Nevertheless, the group was able to help prevent a broader overhaul of the system, as promised by the government.

The previous government failed to realize its goals for restructuring the management system for Iceland's fisheries, despite raising fishing fees significantly. However, on succeeding to power, the new government lowered the fees in 2013.

Citation:

Gunnarsson, Styrmir (2009), *Umsátrid (The Siege)*, Veröld, Reykjavík.

Association  
Competence  
(Others)  
Score: 9

Iceland has many active, non-economic interest organizations in various fields. Although many have a reasonable level of prominence, only a few have the capacity and competence to exert significant influence on public policy. The largest are the Organization for the Disabled in Iceland (Öryrkjabandalagið), with 35 associated organizations and a staff of 11, and the Consumers' Association of Iceland (Neytendasamtökin), with a staff of seven and 9,200 members. The Nature and Wildlife Conservation Organization (Náttúruverndarsamtök Íslands), with one staff member, is also influential. This group has managed to feature prominently in public debates about hydro and geothermal power plants, and expressed reservations about further construction of aluminum smelters around the country. Landvernd, the Icelandic Environmental Association, also has some influence.

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