



# Iceland Report

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## Sustainable Governance Indicators 2017

## Executive Summary

In early April 2016, the political scene in Iceland took an unexpected turn when Icelandic state television (RÚV) showed an interview by Iceland's Prime Minister Sigmundur Davíð Gunnlaugsson first aired on the Swedish television program Uppdrag granskning. In the interview, he was asked about his and his wife's ownership of an offshore bank account in the Virgin Islands through their ownership of the company Wintris. Gunnlaugsson denied owning Wintris, but after being confronted with hard evidence on this, he walked out of the interview. The name of the prime minister of Iceland was in the Panama Papers, a unique event. Of 332 cabinet ministers in office in all of Western Europe at the time, four showed up in the Panama Papers – three are Icelandic, including the aforementioned prime minister, and the leader and deputy leader of the Independence Party. All three successfully ran for reelection in October 2016. On the second day after this interview aired, the prime minister went to the president, without any knowledge of the leader of the Independence Party, his coalition partner, to try to convince the president to dissolve the parliament and announce new parliamentary elections as soon as possible. The president declined this request. That night, Gunnlaugsson resigned as prime minister but continued as chairman of the Progressive Party. The vice-chairman of the Progressive Party, Sigurður I. Jóhannsson, took over as prime minister and elections were announced for the autumn – the date was later set at October 29, six months ahead of schedule. These events of early spring had a considerable impact on political life in Iceland. Gunnlaugsson was eager to continue as chairman, but at the Progressive Party congress in early October he lost the chairmanship to Jóhannsson by a small margin.

The parliamentary elections were held on 29 October 2016. The coalition government of the Progressive Party and the Independence Party lost its majority of 38 out of 63 seats, down to 29 of 63 seats, primarily due to the massive defeat of the Progressive Party that lost more than half its votes from 2013. Specifically, the Progressive share of the vote fell from 24.4% in 2009 to 11.5% in 2013, a loss of 11 seats, from 19 to 8. At the same time the Independence Party won 29% of the vote, gaining two seats, from 19 to 21. As

before, unequal voting rights – i.e., electoral laws that require fewer votes behind each elected MP in rural constituencies than in urban ones – played a role: 29% of the vote should have given the Independence Party 18 seats or 19 at most, not 21. The Pirate Party that had been getting enormous support in the opinion polls since early 2015, frequently over 35%, ended up with a moderate 14.5% and 10 seats. However, the gain from 5.1% and three seats in 2013 was significant. A new party - a liberal breakout mostly from the Independence Party - Regeneration (Viðreisn), got 10.5% and seven seats. One striking fact about these election results is that the Social Democrats (Samfylkingin) collapsed for the second time in a row, from 12.9% and nine seats to 5.7% and three seats, leaving them close to elimination from parliament. The other left-wing party (Left-Green Movement) gained votes and seats. This means that neither the left nor the right were the winners in the election. The situation is complicated. At the time of writing negotiations on a new government coalition are about to start but no coalition pattern seems obvious.

The Icelanders elected a new president in the summer. After 20 years as a president, Ólafur Ragnar Grímsson decided not to run for the presidency for the sixth time after some hesitation about whether to run. On 25 June, 48 year-old professor of modern history, Guðni Th. Jóhannesson, won the presidential election with 39% of the votes.

Several labor disputes were settled during 2015 with collective agreements running to 2019. Even so, primary school teachers are still without an agreement with tough negotiations in store. Further discord was sown by the decision of the national Wage Council (Kjararáð) to raise the salaries of members of parliament, ministers, and the president of the republic by more than 40%. The announcement was made the day after the October elections. These wage hikes entail a 75% increase for this group since 2013 whereas general collective agreements have brought wage earners a roughly 30% increase for the same period. This may have a negative impact on upcoming wage agreements (teachers, fishermen, and more). At the time of writing it is not known whether the new parliament will override the decision of the Wage Council. The new president of the republic refused to accept the salary increase granted him.

Little happened in constitutional issues in 2016. In February, a Constitutional Committee appointed by the parliament presented a bill proposing three new constitutional changes (three new paragraphs). One is about national referendums and what share of the electorate is needed to realize such referendums. The committee suggests a minimum of 15% of the electorate. The second paragraph is on environmental protection, emphasizing the importance of nature as fundamental for animal, plant, human and economic

life in the country. A third paragraph addresses natural resources and calls for all of Iceland's natural resources to be made common public property and to not allow them to be made private property. Even though this bill was a government bill the parliament did not manage to realize it as law before the October election. What will happen to this bill in the new parliament is still to be seen.

Citation:

Gylfason, Thorvaldur (2016), Iceland's New Constitution Is Not Solely a Local Concern, *Challenge*, 480-490.

Gylfason, Thorvaldur (2016), Constitution on Ice, in *Iceland's Financial Crisis: The Politics of Blame, Protest, and Reconstruction* (2016), Routledge, London, England, ed. Valur Ingimundarson, Philippe Urfalino, and Irma Erlingsdóttir. — Longer version available as CESifo Working Paper 5056, November 2014.

Reinhart, Carmen M., and Kenneth S. Rogoff (2009), *This Time is Different: Eight Centuries of Financial Folly*, Princeton University Press, Princeton and Oxford.

## Key Challenges

Iceland's government faces several key challenges.

First, labor market developments are uncertain, as in the past. The SALEK agreement between employers' associations and trade unions aims to introduce a Nordic-style framework for negotiating wages. The agreement aimed at settling recent labor market disputes, which led to widespread strikes and inflation. State employees and teachers have not signed the SALEK agreement, meaning roughly 70% of the labor market has joined. The decision of the national Wage Council to raise the salaries of parliamentarians, ministers, and the president of the republic by more than 40% undermined the process.

A second challenge concerns the health care system, under severe financial strain following the 2008 crash. In early 2016, Dr. Kári Stefánsson, director of Decode Genetics, launched an online petition where 85,000 people, one-third of the electorate, demanded that the government should increase health spending to 11% of GNP. Before the 2016 election, every political party promised to pay more attention to restoring health care provision to its earlier status.

Third, the banking sector needs restructuring, including foreign competition. Iceland's banks continue to operate under the temporary state-foreign

ownership mix, which took over the failing banks after the 2008 crash. The government is yet to declare its long-term strategy for restructuring the banking sector. This lack of clarity has led to fears that the government will repeat the botched banking sector privatization undertaken during 1998-2003. However, a 2015 agreement between the government task forces and the steering committees representing creditors of the failed banks marked an important step forward. The agreement proposes allowing creditors to withdraw their investments in Iceland's banks in exchange for an exit tax and a commitment not to sue the government. This agreement aimed was intended to facilitate the relaxation of capital controls in place since 2008. Not all stakeholders participated, however, so it is not known whether litigation will occur.

Fourth, it is imperative that the government and central bank maintain fiscal and monetary discipline to continue minimizing public and foreign debt. However, the government will have to balance fiscal discipline with financing important public services, which remain severely underfunded. The lack of financing for many public services, well below Nordic standards, is a key factor in continued net emigration from Iceland to neighboring countries, especially Norway. Fishing fees are important in this context because at present only 10% of the resource rent from the fisheries accrues to the resource's right owner by law, the Icelandic people, while the remaining 90% accrue to vessel owners.

The fifth challenge concerns the new constitution. After a referendum, the parties have not decided whether to follow the referendum's outcome and there is disagreement over what to do at present.

Citation:

Gylfason, Thorvaldur (2016), Chain of Legitimacy: Constitution Making in Iceland, CESifo Working Paper No. 6018, July.

Thorláksson, Indriði H. (2015), "Veidigjöld 2015. Annar hluti" ("Fishing fees 2015. Part Two").

# Policy Performance

## I. Economic Policies

### Economy

Economic Policy  
Score: 6

Eight years after the 2008 economic collapse, Iceland's economic policy is still marked by the fallout from the collapse. The capital controls imposed to stabilize the Icelandic króna and a fiscal adjustment strategy equivalent to about 10% of GDP between 2010 and 2017 are still in place for the most part. After several postponements, the gradual relaxation of capital controls was announced in June 2015 and started in 2016, with further relaxation promised for 2017. This announcement followed an agreement between the windup committees representing creditors in the failed banks and government task forces. The agreement enables creditors to withdraw assets from Iceland, equivalent to 20% of GDP, in exchange for paying an exit tax and a commitment not to sue the government. Whether this agreement will maintain the stability of the króna, while avoiding litigation proceedings against the government, remains to be seen. Not all stakeholders accepted the agreement. The government had previously announced that creditors either had to reach an agreement with the government task forces or pay an exit tax equivalent to 39% of Iceland's GDP, approximately \$6.5 billion, in 2016. The relaxation of controls will be slow and seems likely to take several years. The Icelandic króna strengthened vis-à-vis foreign currencies during 2016, by 15% vis-à-vis the US dollar and the euro during the period under review from November 2015 to November 2016. This resulted from strong foreign exchange earnings from tourism and, it appears, the return of funds to Iceland that had fled the country before the collapse of 2008. During 2012-2015, the Central Bank held several auctions at which holders of offshore currency were invited to bring their monies back to Iceland at a discounted exchange rate. It has been reported that several jailed bankers were among those who took advantage of these controversial Central Bank auctions.

Following the 2008 economic collapse, the government sought to strengthen the Financial Supervisory Authority (Fjármálaeftirlitið, FME). The FME had

performed before the collapse in 2008 as though it had been “designed to fail.” The number of FME personnel increased significantly after the collapse. However, the FME’s annual budget was halved for 2013 and then again for 2014. By late 2016, the efforts of the FME and the Special Prosecutor had led to the successful prosecution of 34 individuals for legal violations connected to the 2008 collapse. The Supreme Court sentenced these individuals to a combined total of 87 years in prison, equivalent to about 2.5 years on average. The Office of the Special Prosecutor was abolished in 2016 and merged with the office of the District Prosecutor under the directorship of the former Special Prosecutor.

Inflation is on the rise, according to the Central Bank, but still only 2% during 2016 and expected to reach 4% in 2017. Employers blame labor unrest, including strikes, which have led to wage increases causing an overall increase in prices. In late 2016, a fishermen strike brought the entire fishing fleet to shore.

The future of the banking sector remains uncertain. The government has not presented any plans for restructuring the banks. 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 domestic banking sector.

Iceland applied for EU membership in 2009. The previous government had signaled its intention to abide by EU standards and to strengthen Iceland’s institutional environment, including its regulatory policy. Due to disagreements between the government’s coalition partners at that time, the application process was put on hold in January 2013. In 2013, the government expressed its intention to unilaterally retract Iceland’s membership application. A formal withdrawal was announced in the spring 2015. However, the EU and the Icelandic government seem to disagree on whether this means that Iceland has fully withdrawn from the process. Specifically, the EU has questioned the authority of Iceland’s foreign minister to unilaterally withdraw an application approved by parliament. This question is most likely going to remain unanswered for some time. Some of the parties running for parliament have promised to organize a national referendum on whether to continue the application process.

Citation:

The Annual Reports of the Financial Supervisory Authority 2009, 2011, 2012 and 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, eds. 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 managed to keep unemployment low. At the end of 2007, the unemployment rate was just below 1%. However, this changed dramatically with the 2008 collapse. In 2010, the unemployment rate peaked at 7.6% before falling in 2011 to 7.1%. The average unemployment rate for 2012 (6.0%), 2013 (5.4%), 2014 (5.0%), 2015 (4%), and the drop in unemployment to 2.4% in November 2016 suggests increasing tightness of the labor market. No longer high even by domestic standards, Iceland's unemployment rate in 2016 was quite low compared with other European countries, such as Ireland and Spain. Overheating of the labor market and the economy at large is once again a serious concern.

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 were due for renegotiation in early 2015. There was great turbulence in the labor market in 2015 and 2016, such as a doctors' strike and other labor disputes, particularly within the public sector (e.g., a joint strike by nurses, other specialized hospital staff, and several other public sector unions). Most of these disputes were settled before the end of 2015 with collective agreements running to 2019. However, primary school teachers are still without any agreement and tough negotiations could occur. Moreover, fishermen went on strike in late 2016. The October 2016 decision of the national Wage Council to raise the salaries of parliamentarians, ministers, and the president by more than 40% poured oil on the fire. These wage hikes imply a 75% increase for this group since 2013 whereas general collective agreements brought most wage earners a roughly 30% increase for the same period.

Citation:

Statistics Iceland website, <https://hagstofa.is/talnaefni/samfelag/vinnumarkadur/vinnumarkadur/>

## Taxes

Tax Policy  
Score: 6

As a consequence of the 2008 collapse, the Sigurðardóttir cabinet (2009-2013) 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 still remain at their 2008 levels.

Under the IMF-supported rescue program launched in late 2008, total tax revenue was projected to increase from 38% of GDP in 2009 to 44% in 2014, while government expenditure was expected to be reduced from 53% of GDP to 41% over the same period. However, events turned out rather differently. In 2009, while the government budget deficit was expected to equal 14% of GDP, 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 was an ambitious goal given that the adjustment is limited to reducing expenditure and not to increasing tax revenues.

Four reservations are in order. First, Iceland's public debt burden is understated in official statistics because unfunded public pension obligations are not included, which is rare in OECD country data. Second, the ratio of gross public debt to GDP shot up from 29% in 2006 to 95% in 2011 and has since declined to 55% in 2016 according to IMF figures. Even so, in 2016 interest payments on public debt cost the equivalent 3.5% of GDP compared with social benefits that cost 7% of GDP (IMF, 2016). Third, while the left-wing government of 2009-2013 increased fishing fees significantly and budgeted further increases, the center-right government of 2013-2016 reversed course by reducing fishing fees against IMF protest. At last, many public institutions remain in a dire financial situation, including the State University Hospital, universities and schools at all levels, and the State Broadcasting Corporation (RÚV).

Under the center-right government of 2013-2016 public expenditure and tax policy was reversed once again from a progressive stance to a regressive one.

Citation:

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

International Monetary Fund, Iceland: Staff Report for the 2016 Article IV Cconsultation, June 2016, <https://www.imf.org/external/pubs/ft/scr/2016/cr16179.pdf>, accessed 12 January 2017.

## 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 2006 to 95% in 2011. Thereafter, it decreased gradually to 55% at the end of 2016, and is projected to decline further to 30% in 2021 (IMF, 2016). The

government's net foreign debt – the government's foreign debt minus its foreign assets – rose from 18% of GDP at the end of 2007 to a peak of 66% in 2010, then fell to 46% in 2016 and is projected to decline further to 23% by 2012 (IMF, 2016). Reflecting a reduction in debts which stems in part from a stronger króna, interest payments on the public debt have declined from 4.5% of GDP in recent years to 3.5% in 2016. There is, however, a significant possibility that excessive wage increases will boost inflation as the Central Banks forecasts and weaken the currency. This, in turn, would cause an increase in the foreign debt burden again, other things being equal. Still, Iceland's foreign debt burden would remain sustainable. However, fiscal sustainability remains a serious concern for the government given the dire financial situation of several key public institutions, including the State University Hospital and the State Broadcasting Corporation (RÚV) among others. Fiscal balance is not on a firm foundation when vital public institutions and infrastructure continue to suffer from long-standing financial neglect.

Another factor that increases the complexity of Iceland's fiscal situation is uncertainty concerning the availability of foreign exchange. During 2016, foreign entities, owning considerable funds locked up in Iceland due to capital controls in place since 2008, were allowed to transfer these funds out of Iceland through a special arrangement with the government. Before, if the government had removed these capital controls, it would have led to a shortage of foreign exchange and, consequently, a significant depreciation of the Icelandic króna. The government was keen to avoid such a situation. From 2013 onward, several government announcements promised to lift these capital controls. However, it was not until mid-2015 that the first credible steps were taken toward relaxing these controls. Furthermore, the decision to relax the capital controls under strict conditions was based on agreements between the steering committees representing creditors and the respective government task forces. The fiscal implications of these agreements remain to be seen.

Citation:

IMF, October 2012 World Economic Outlook.

IMF (2014), Country Report No. 14/19, Iceland Staff report, <http://www.imf.org/external/pubs/ft/scr/2014/cr14194.pdf>.

IMF (2016), Iceland: Staff Report for the 2016 Article IV Consultation, June, <https://www.imf.org/external/pubs/ft/scr/2016/cr16179.pdf>, accessed 12 January 2017.

## Research and Innovation

R&I Policy  
Score: 6

Combined public and private research and development (R&D) expenditure in Iceland totaled 3% of GDP in 2006, one of the highest levels among OECD members. 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 economic collapse in 2008 had its impact on this and the expenditure rate was down to 1.8% of GDP in 2013 but has recovered to 2.2% in 2015 – still far below the 2006 level.

Citation:

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

[https://www.rannis.is/media/utgafur-og-skyrslur/Research,-Development-and-Innovation—2014-edition-\(2\).pdf](https://www.rannis.is/media/utgafur-og-skyrslur/Research,-Development-and-Innovation—2014-edition-(2).pdf)

### 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, framework. However, the government has taken significant steps to address the extreme instability in the domestic financial system.

First, the government in office during 2009-2013 significantly strengthened the Financial Supervisory Authority (FME) and established a Special Prosecutor's Office. The Special Prosecutor's Office was charged with investigating legal violations related to the financial crash, including breach of trust, insider trading, market manipulation and false reporting. By late 2016, the Special Prosecutor had referred about 80 cases to court involving about 200 individuals. By late 2016, following significant delays, the Supreme Court had sentenced 34 individuals to a combined total of 87 years in prison for offense relating to the economic collapse. The Supreme Court has yet to hear a number of related cases. The Special Prosecutor's Office was merged with the District Prosecutor's Office at the end of 2015 under the directorship of the former Special Prosecutor.

The government has sought to strengthen financial supervision by encouraging the FME to impose tougher standards. For example, prior to the crash, banks commonly provided loans without collateral, but this practice has since stopped. It was common practice to extend loans to well-connected customers to purchase equities, with the equities themselves as sole collateral. Presumably, this is no longer being done. However, other practices have not ceased. For example, banks continue to be accused of acting in a discriminatory and nontransparent manner with some customers allowed to write off large debts, while others are not, without appropriate justification for discriminating among customers. A number of Iceland's most prominent business figures avoided

bankruptcy following the crash because banks annulled their losses. Under new management, since the proactive director of the FME was replaced in 2012, the FME lacks strong and clear leadership. The FME has once again adopted a passive, non-intrusive strategic approach. According to a February 2016 poll, conducted by opinion research firm Capacent, the banks are the least trusted institution in Iceland. Only 12% of respondents expressed confidence in the banks, compared with 17% confidence in the parliament, and 22% confidence in the FME.

The present government has yet to propose 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 ownership as well as between foreign and domestic ownership. Foreign competition in the banking sector remains absent, offering huge monopoly rents to bank owners, a unique feature of Icelandic banking which helps explain why bank ownership is so coveted among Iceland's clan-based business elite.

Citation:

Capacent (2016). <https://datamarket.com/is/data/set/1wb6/traust-til-stofnana-skv-thjodarpulsi-capacent#!ds=1wb6!1xyh=1.9.5.g.b.2.6.3.c&display=line>.

## 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 on high schools, colleges, and universities was significantly less as a proportion of GDP 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 changed this. Salaries decreased in the private sector and a tighter labor market increased the proportion of qualified teachers. To a large extent, that is still the case.

Municipalities are responsible for primary schools. After 2008, considerable cutbacks and rationalization measures were introduced, including a shortening of the school year. Upper secondary schools and public universities are the responsibility of the central government. Despite cuts to public expenditure on education, the number of upper secondary schools has increased, particularly

outside the capital region. The cabinet during 2013-2016 managed to shorten the duration of upper secondary matriculation from four years to three.

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 universities, including two agricultural colleges. The Sigurðardóttir cabinet (2009-2013) considered rationalizing the university sector either by reducing the number of universities or by encouraging more cooperation between universities. Some steps were taken toward cooperation. Discussions between the two private universities, concerning a possible merger, were abandoned. The plans of a merger of one of the agricultural universities, Hvanneyri, with the University of Iceland was dropped following heavy protests from citizens and politicians in the west of Iceland. In 2015, a serious attempt was started to merge three universities: two public universities Hvanneyri and Hólar University College with private university Bifröst University. That attempt faded out in 2016. So, efforts by the minister of education and culture, Illugi Gunnarsson, to reduce the number of universities were not at all successful during his time in office. The rectors of all universities have issued a common declaration of a virtual state of emergency at their universities.

The same dire situation prevails at music schools, once the pride of Iceland's education system due to their unique model of private and public funding. In 2016, they fought for their survival, a fight that will continue.

The OECD, among other institutions, has long highlighted the relatively low proportion of the labor force of Iceland that left school with secondary or tertiary qualifications, a key factor in explaining 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 dramatically. 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, and a rapid increase in capital income. High inflation rates further increased the burden on low-income wage earners, although the rate of inflation fell to around 2% at the beginning of 2014 and has since remained at a low level. The left-wing cabinet of 2009-2013 made the tax system more progressive by imposing the smallest tax increases on the lowest income groups. Consequently, according to Statistics Iceland (which failed to publish any

information on income distribution until after the crash of 2008), the Gini coefficient for Iceland, excluding capital gains, rose from 24 in 2004 to 30 in 2009 and then fell back to 24 in 2015. Including capital gains, however, the Gini index for total disposable income in Iceland rose by one point a year from the mid-1990s onward until the crash of 2008, an unprecedented development (Gylfason, 2015, based on data from Internal Revenue Directorate; Ólafsson and Kristjánsson, 2013). Little is still known about the distribution of wealth and whether it became more skewed after the 2008 crash.

Nevertheless, this does not tell the whole story. The Organization of Disabled in Iceland argues that their members are being left behind as wages increase. Significant cuts in public expenditure followed the 2008 economic collapse. For example, pensions and social reimbursements were cut, and have not yet been fully restored to their former level. In October 2016, just before the elections, the Jóhannsson cabinet announced a raise in pensions to the same level as minimum wages in 2018. These raises will, however, not impact the disabled who seemingly have to wait longer for improvements.

After the crash, many families were dependent on food aid offered by volunteer organizations, a phenomenon not seen in Iceland for decades. Even so, Iceland performs quite well in international poverty comparisons, suggesting that social policies during the economic crisis were reasonably successful. For some households, however, the economic situation remains difficult but is gradually improving.

Citation:

Gylfason, Thorvaldur (2015), "Social Capital, Inequality, and Economic Crisis," Challenge, July.

Internal Revenue Directorate (2016), <http://www.rsk.is/>.

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

Ólafsson, Stefán, and Arnaldur Sölvi Kristjánsson (2013), "Income Inequality in Boom and Bust: A Tale from Iceland's Bubble Economy," in Gornick, Janet C., and Markus Jäntti (eds.), *Income Inequality Economic Disparities and the Middle Class in Affluent Countries*, Stanford University Press, Palo Alto, 416-438.

Statistics Iceland (2015), Gini-index, quintile share ratio and At-risk-of-poverty threshold 2004-2015, [http://px.hagstofa.is/pxen/pxweb/en/Samfelag/Samfelag\\_\\_launogtekjur\\_\\_4\\_tekjur\\_\\_2\\_tekjur\\_silc/LIF01110.px/table/tableViewLayout1/?rxid=74cea146-49af-49e4-849c-8acf366a0b3a](http://px.hagstofa.is/pxen/pxweb/en/Samfelag/Samfelag__launogtekjur__4_tekjur__2_tekjur_silc/LIF01110.px/table/tableViewLayout1/?rxid=74cea146-49af-49e4-849c-8acf366a0b3a).

## Health

Health Policy  
Score: 6

On average, the health care system in Iceland is efficient and of a high-quality. Iceland has one of the highest average life expectancy rates in the world. However, there is considerable variation across regions. For example, health care services in Reykjavík and its surroundings as well as the northern city of

Akureyri are much better than in more peripheral, rural areas where patients have to travel long distances to access specialized services. After the 2008 economic collapse, the left-wing cabinet 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 had (and still have) serious problems in recruiting doctors. Waiting times for appointments with specialized doctors can extend to several months.

The University Hospital in Reykjavik (Landsspítalinn Háskólasjúkrahús), by far the largest hospital in Iceland, has for several years been in a difficult financial situation. The 2013-2016 government has not provided adequate 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 on existing staff, including their working hours. One of the issues in the 2013 election campaign was the question of how to finance a redevelopment of the University Hospital in Reykjavik. Many of the buildings are old and dilapidated, yet investment is also required to fund the purchase of new equipment. Discontent led to a strike by doctors in late 2014 which resulted in a considerable wage increase for doctors in January 2015 as well as a government commitment to build a new hospital. In spring 2015, nurses and radiologists went on strike while many others resigned. Some but not nearly all of those resignations were withdrawn following the decision to increase their wages considerably. Many of those who resigned are seeking employment in other Nordic countries. The situation calmed down a bit in 2016.

In early 2016, Dr. Kári Stefánsson, director of Decode Genetics, started an online petition where people demanded that the government should increase health care spending to 11% of GNP. A new petition record of 85,000 people was set, a clear sign that Icelanders want to strengthen or rebuild the health care sector. Before the 2016 parliamentary election, every political party promised to give improved health care a high priority.

Life expectancy in 2016 was 82 years, the 13th highest in the world, up from 73 years in 1960 when life expectancy in Iceland was second only to that of Norway (World Bank, 2016).

Citation:  
World Bank (2016), World Development Indicators,  
<http://data.worldbank.org/indicator/SP.DYN.LE00.FE.IN>.

## Families

Family Policy  
Score: 9

Family policy has long supported female participation in the labor force. Iceland's rate of female participation in the labor force, between 75% and 80% since 1991, has long been among the highest in the world. 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 ISK 535,000 in 2008 to ISK 300,000 in 2010 and, despite increasing to ISK 370,000 in 2014 and 2015, remain 30% below the 2008 level not taking inflation into consideration. Furthermore, average wages for men are higher than for women. This discourages men from taking parental leave, especially since the 2008 economic collapse. In the April 2016 five-year budget plan of the Jóhannsson cabinet, a raise was announced from 370,000 per month to 500,000 per month in 2017.

Citation:

Women and men in Iceland 2014. The Center for Gender Equality (Jafnréttisstofa). [http://jafnretti.is/D10/\\_Files/Kvk\\_og\\_kk\\_2014\\_IsI.pdf](http://jafnretti.is/D10/_Files/Kvk_og_kk_2014_IsI.pdf)

## 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, Iceland's pension policy appeared both conducive to poverty prevention and fiscally sustainable. However, Iceland's pension funds experienced heavy losses as their investments in, among other equities, 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, as if supporting the government is more important than safeguarding the interests of retirees, there is a persistent danger that the government will seek to use the funds to support its aims in a time of need.

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 center Alþjóðasetur in Reykjavík provides interpretation and translation services to immigrants. 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 by, for example, providing important information in English on its website. The Directorate of Labor is also responsible for running the European Employment Services office in Iceland.

In the municipality of Reykjavík, the Progressive Party has retained an anti-immigrant policy since the spring 2014. The national Progressive Party has neither supported nor condemned the local party's policy position. This is a new development and tone in Icelandic politics, which reflects trends in several neighboring countries. However, the state government led by the Progressive

Party has acted differently and agreed in September 2015 to considerably increase the number of refugees that Iceland will accept, and in connection with that, to increase the financial contribution to assistance to refugees and asylum seeking people. In 2015, Iceland received over 100 refugees. Further refugees are expected in 2016 and the government has contributed further grants to the issue.

In 2016, as before, the Directorate of Immigration repeatedly came under heavy media criticism for its insensitive handling of immigrants and refugees, especially for refusing to grant extensions to individuals who would face grave difficulties if sent back to their home 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 2007-2009 government was undermined by a series of protests, which – though 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 a parliamentary decision to bring Iceland into NATO. The main policing priority has been Iceland's internal security. The police force has long suffered from a manpower shortage, exacerbated by low pay.

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

### Global Inequalities

Global Social  
Policy  
Score: 6

Iceland is a founding member of the United Nations.

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

projects (bilateral cooperation) from six to three: Malawi, Mozambique, and Uganda. Additionally the IIDA is involved in a regional project on geothermal power in East-Africa. In late 2015, the Gunnlaugsson cabinet decided to merge the IIDA with the Ministry of Foreign Affairs.

In 2009, Iceland's contribution to development aid amounted to 0.33% of GDP. This was reduced to 0.21% in 2012, well below the UN target of 0.7%. In 2014 the contribution rate was still the same 0.21% of GDP but increased by 20% between 2015 and 2016. 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 Gunnlaugsson cabinet came to office in May 2013, the Ministry of Environment and Resources was brought under the responsibility of the person who also was Minister of Fisheries and Agriculture. However, a new Minister for Environment and Natural Resources was nominated at the end of 2014, separating the two ministerial positions.

The country is rich in onshore energy and fresh water resources, and has substantial offshore fisheries. However, apart from the fisheries management system in operation since the mid-1980s, there has been little discussion about how to preserve these resources, reflecting a popular assumption that these resources are, in effect, 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, the 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 hydropower and geothermal resources could be used for power generation. However, the Gunnlaugsson cabinet reversed the previous government's progressive environmental policy agenda. In November 2013, the 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 government and opposition, a final compromise was ratified in late 2015.

Citation:

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

### 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, in the north of Iceland. In early 2016 it was decided to move the secretariat of the International Arctic Science Committee (IASC) from Potsdam, Germany to Akureyri. The mission of IASC is to encourage and facilitate cooperation in all aspects of Arctic research, among all countries engaged in Arctic research and in all areas of the Arctic region.

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

Iceland is still engaged in a dispute with the EU over quotas for mackerel fishing. In 2014, an agreement was reached between the EU, Norway, and the Faroe Islands. However, the agreement did not include Iceland. Mackerel migrate in huge numbers from international to Icelandic waters and Iceland is accused of overfishing the mackerel stocks. At the time of writing, this dispute remains unresolved. Due to reduced quotas and a collapse in markets –

following Russia's economic boycott – Iceland has suffered a reduction in income from mackerel fishing, and at least ten fishing communities were reported to suffer dramatically from this in a September 2015 report by the Institute of Regional Development in (Byggðastofnun 2015).

Iceland was fully engaged at the Paris conference on climate change in late 2015 and on 22 April 2016 the Minister of Environment and Natural Resources signed the Paris agreement.

Citation:

Byggðastofnun (2015): Byggðaleg áhrif viðskiptabanns Rússa. Skýrsla unnin fyrir Sjávarútvegs- og landsbúnaðarráðherra í september 2015. <https://www.byggdastofnun.is/static/files/Skyrslur/byggdaleg-ahrif-innflutningsbanns-russa-endanlegt.pdf>

# Quality of Democracy

## Electoral Processes

Candidacy  
Procedures  
Score: 9

Most Icelandic citizens aged 18 years or over can run for parliament. Exceptions include Supreme Court justices 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 parliament was set in 2000. In addition to this 5% threshold, parties can win a seat by securing a majority of the vote within a constituency seat. This minimum threshold is the same as in Germany and higher than in the other Nordic countries (Sweden and Norway 4%, Denmark 2%). As a consequence of this system, 12% of voters in 2013 won no parliamentary representation, as they voted for candidates or parties that failed to win a constituency seat or polled less than 5% of the national vote. This is the largest unrepresented vote share in Iceland's modern history. This result was due mainly to a record 15 parties running for parliament in 2013.

In the October 2016 parliamentary election, the Independence Party won 33% of the seats in parliament with 29% of the vote, enabling the party to form a majority government based on 47% of the vote. Parties that did not reach the 5% threshold received a total of 5.7% of the vote in 2016.

Formal complaints filed by individuals and opposition political parties about the way the parliamentary elections of 2016 and 2013 were carried out have been routinely ignored by the authorities.

### 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, which opinion polls had indicated were unlikely to surpass the 5% minimum vote threshold. However, the state-run media covers all major parties. During the election campaign in the autumn 2016, small parties had fewer complaints.

Voting and  
Registrations  
Rights  
Score: 10

Iceland's voting procedure is unrestricted. If an individual is registered as a voter within a constituency, he or she only has to present 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, proportional 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, proportional to the number of seats in 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 ISK 400,000 (€3,100) 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.

Before the 2007 election campaign, political parties reached an agreement that a maximum of ISK 28 million 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 Commission 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 stjórnáttámtaka 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. Lög um breytingu á lögum nr. 162/2006, um fjármál stjórnáttámtaka og frambjóðenda og um upplýsingaskyldu þeirra nr. 119 21. september 2010.
3. Kristinsson, G. H. (2007): Íslenska stjórnmálkerfið. 2. útgáfa. Reykjavík, Háskóli Íslands. (The Icelandic political system. Second edition)
4. 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 72-year history of the Republic of Iceland, this paragraph has twice led to a nationwide referendum.

In 2012, an advisory national referendum was called by parliament. The referendum asked voters six questions, including whether they approved a draft constitution submitted by the Constitutional Council to parliament for ratification. Two-thirds of the voters approved the Constitutional Council's draft constitution as a whole. In addition, 73% voted in favor of introducing a stipulation enabling the electorate to demand a national referendum, if a proposal attracts the support of 10% of the electorate. This reform would mean that national referendums would no longer remain a discretionary power of the president alone. However, the parliament is yet to ratify the draft constitution. In February 2016, a Constitutional Committee appointed by the parliament presented three bills on changes to the constitution. One of these bills concerns national referendums and what share of the electorate is needed to realize such referendums. In the bill, the minimum of 10% earlier suggested was raised to 15%. The three bills were not discussed in parliament before it adjourned before the October 2016 election.

A law on local government affairs was passed by parliament in September 2011. This law contained a new chapter called Consultancy with Citizens (Samráð við íbúa), which includes paragraphs on local referendums 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 are obliged to hold 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.

Citation:

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

<http://thjodaratkvaedi.is/2010>

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

Sveitarstjórnarlög 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

Until privatization in 1986, the state had a monopoly over radio and TV broadcasting. Private stations now have a significant role in the media market. There were nine private TV stations in 2008, 11 in 2011, and all but one offered national coverage. There is only one state-run TV station. In 2004, Freedom House stated that Iceland had an "exceptionally open and free media environment." Public funding for state-run Radio and TV (RÚV) was cut by 173 million ISK for 2016. Since parliamentary elections were moved up to 29th October 2016 – six months before the end of the 2013-2017 term – the state budget for 2017 would not be completed until after the election.

Owners of private media sometimes try to exercise influence over news coverage. The largest daily newspaper has faced accusations that its owners, a former business magnate and his wife, have unduly influenced content. For example, a number of editors and other staff have been replaced, as was the case in the prior year. Meanwhile, Iceland's second largest daily newspaper owned by fishing magnates, and its chief editor is a former Icelandic prime minister and discredited governor of Iceland's central bank. The newspaper regularly publishes content critical of fisheries policy reforms as well as Iceland's application for EU membership. In 2014, a third newspaper was taken over by owners with close connections to the Progressive Party. Subsequently, the newspaper became significantly less critical of the government. Some politicians in government have repeatedly accused state-run radio and TV of being biased against the government in their news reporting. However, despite criticism that Iceland lacks a strong, independent media, the position of those seeking to dominate the media has been considerably weakened by the advent of online social media platforms.

## 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 ones and one public.

There is one state-owned TV station (RUV - Sjónvarp) and two state-owned radio channels (RUV - Rás1 and RUV - Rás2). There are also five private national TV channels (Stöð2, Sjónvarp Símans, ÍNN, Hringbraut, and N4) and two national private radio channels, separately owned.

The private 365 Media Corporation (365 Miðlar) owns TV station Stöð 2, the Bylgjan radio station, and Fréttablaðið, the larger 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, a business magnate and bank owner until the 2008 economic collapse. However, at the time of writing in autumn 2016, there are ongoing negotiations on selling all the TV, radio, and multimedia components of the company to Vodafone. Morgunblaðið, the second biggest newspaper, has long been considered the voice of the Independence Party (Sjálfstæðisflokkurinn). 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 330,000, radio stations and newspapers, media ownership in Iceland is fairly pluralistic.

In 2014, ownership of the third largest daily 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. The editor in question established a new paper, Stundin, in 2015, pursuing investigative journalism, as does a fifth newspaper, Fréttatíminn (since 2010), and online newspaper Kjarninn, founded in 2013 by disgruntled journalists previously at Morgunblaðið.

Access to  
Government  
Information  
Score: 7

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 2011, 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. Paragraph nine states that the prime minister can decide, with cabinet approval, to create ministerial committees on an issue-specific basis. Following a 2015 revision, two permanent ministerial

committees were established to oversee state finances and economic affairs.

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's request to see a transcript or hear an audio recording of a fateful telephone conversation between the prime minister and the Central Bank governor shortly before the 2008 economic collapse.

The government is quite secretive about potentially compromising information. For example, an official report on Icelanders whose names appear in the Panama Papers was ready well before the October 2016 parliamentary election but was not disclosed to the public until after the election in which all three ministers whose names appeared in the Panama Papers were re-elected to their seats in parliament.

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

Information Act (Upplysingalög). 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)).

Lög um breytingu á lögum um Stjórnarráð Íslands, nr. 115/2011, með síðari breytingum (skipulag ráðuneyta og stofnana o.fl.) nr. 82 13. júlí 2015.

### 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 generally 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 discriminatory 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 later dropped the case, saying that Iceland's promise of a new constitution was partly sufficient. However, the parliament has failed to ratify the new constitution.

The European Court of Justice (ECJ) has heard several petitions by Icelandic citizens recently that their civil rights have been violated. In almost all of these cases, the ECJ has ruled 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 innocent by the ECJ. Following a number of similar ECJ rulings in recent years, Icelandic courts have demonstrated an increased tendency to acquit defendants in politically motivated libel cases. Nevertheless, defendants in several recent libel cases have had to bear the cost of their legal defense, despite being acquitted.

Citation:

Gylfason, Thorvaldur (2016), *Constitution on Ice*, forthcoming in *Iceland's Financial Crisis: The Politics of Blame, Protest, and Reconstruction*, eds. Valur Ingimundarson, Philippe Urfalino, and Irma Erlingsdóttir, Routledge, London. — 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 2011/2012 constitutional bill, which still not has been ratified by parliament, aims to significantly broaden individual rights and liberties further in line with international developments in the area of human rights. The probability of more comprehensive changes to the constitution after the parliamentary elections in 29th October are difficult to judge at the time of writing. Even though the government coalition of the Independence Party and the Progressive Party lost its majority, the only party willing to do a total change, the Pirate party, did not get more than 10 seats out of 63. Upcoming negotiations on forming a government coalition will be complicated. No coalition pattern seems to be more likely than others.

Non-discrimination  
Score: 6

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 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 of Disabled in Iceland (Öryrkjabandalagið), the electoral laws were adjusted to allow blind or otherwise physically disabled individuals to independently nominate their own assistant who would be sworn to secrecy. This change applied to the 2013 parliamentary elections.

The government's non-compliance with the binding opinion of the United Nations Human Rights Committee, which ruled in 2007 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 - the last example is the case of the journalist Erla Hlynsdóttir.

A relatively 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. As such, 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 violation. 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 and void, 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.

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

<https://www.innanrikisraduneyti.is/raduneyti/starfssvid/mannrettindi/mannrettindadomstoll-evropu/nr/29388>

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. After falling to about 30% in 2011, it recovered to 39% in 2013 and remained at around 40% in 2014 and 2015, but then dropped to 32% in 2016. Recovering trust in the judicial system seems to be taking time.

Many observers consider the courts biased, as almost all judges attended the same law school and few 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 (Independence Party).

<http://www.gallup.is/#/traust/>

Appointment of  
Justices  
Score: 3

To date, all Supreme Court and district court judges have been appointed by the Minister of the Interior, without any involvement from or oversight by parliament or any other public agency. However, all vacancies on the Supreme Court were advertised and the appointment procedure was at least formally transparent. As part of the appointment process, a five-person evaluation committee was 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 aimed to restrain the minister's authority by introducing external oversight.

A new Act on Courts was passed by parliament in June 2016, authorizing the minister to ask parliament to authorize the appointment of judges other than those recommended by the evaluation committee. The act was criticized, among other things, for taking inadequate steps concerning the Minister of the Interior's ability to make judicial appointments subject to significantly weaker restraints than those stipulated in the constitutional bill approved in the 2012

referendum. One academic and former judge stated in testimony to a parliamentary committee that the bill does not address the public's declining confidence in the court system (Björgvinsdóttir, 2016).

In 2009, the EU expressed concern over the recruitment procedures for judges. The Group of States against Corruption (GRECO) has also criticized the process for appointing judges in Iceland. The 2011/2012 constitutional bill proposes that judicial appointments should be approved by the president or a parliamentary majority of two-thirds.

Many appointments to the courts continue to be controversial. In many cases, the scrutiny of Supreme Court candidates seems superficial. For instance, little attention is given to how often rulings by lower court judges have been overturned by the Supreme Court. Furthermore, a retired Supreme Court justice, whose own appointment was controversial, published a book in 2014 criticizing 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). He has since directed further attacks at his former colleagues for violating rules regarding conflict of interest, among other things.

Act on Courts. (Lög um dómstóla nr. 15 25 March 1998, revised 7 June 2017).

Björgvinsdóttir, Áslaug (2016). Comment on proposed Act on Courts, presented to parliament 19 April 2016, <http://www.althingi.is/alttext/erindi/145/145-1514.pdf>.

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.

GRECO (2013), Report on Iceland, [http://www.coe.int/t/dghl/monitoring/greco/evaluations/round4/ReportsRound4\\_en.asp](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round4/ReportsRound4_en.asp)

GERCO (2015), Report on Iceland, [http://www.coe.int/t/dghl/monitoring/greco/evaluations/round4/RC4/GrecoRC4\(2015\)3\\_Iceland\\_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round4/RC4/GrecoRC4(2015)3_Iceland_EN.pdf)

Corruption  
Prevention  
Score: 5

Financial corruption in politics is not viewed as 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 concern. 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 Commission (SIC), 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. Two of the ten members of parliament in question are still in parliament and the cabinet without having divulged whether they have settled their debts or not. The SIC did not report on legislators that owed the banks lesser sums, e.g., €500,000. GRECO has repeatedly highlighted the need for Icelandic MPs to disclose all their debts beyond standard mortgage loans. In 2015, GRECO formally complained that Iceland had not responded to any of its recommendations in its 2013 report on Iceland.

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. According to Transparency International's Corruption Perceptions Index 2014, which measures business corruption, Iceland scored 78 out of 100, where a score of 100 means absolutely no corruption. Although this score implies that Iceland is relatively free of corruption, it is still well behind the other Nordic countries, which score between 86 and 91. In an assessment of political corruption in 2012, Gallup reported that 67% of Icelandic respondents view corruption as being widespread in government compared with 14% to 15% in Sweden and Denmark.

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 parliament 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.transparency.org/cpi2014/results>

Gallup (2013), Government Corruption Viewed as Pervasive Worldwide, <http://www.gallup.com/poll/165476/government-corruption-viewed-pervasive-worldwide.aspx>

Gylfason, Thorvaldur (2015), "Social Capital, Inequality, and Economic Crisis," Challenge 58, No. 4, July, 326-342.



# 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 limits their realization. As a result, the government can delay or change of strategic plans. For example, parliament approves a strategic regional policy every four years (Stefnumótandi byggðaaáætlun), but – as this plan has the status of a parliamentary resolution and not legal status – 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.

Citation:

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

Parliamentary resolution on regional policy (Þingsályktun um stefnumótandi byggðaaáætlun fyrir árin 2014–2017. 143. löggjafarþing 2013–2014.Nr. 21/143. Þingskjal 1083 — 256. mál.).

Scholarly Advice  
Score: 6

Governments occasionally consult 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 Commission 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. According to GALLUP, a market research firm in Iceland, public confidence in the University of Iceland has dropped from 85% before 2008 to 72% in 2016.

Citation:

<http://www.gallup.is/nidurstodur/traust-til-stofnana/>

### 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 Sigurðardóttir cabinet (2009-2013) merged a number of ministries together, reducing the total number of ministries from 12 to 8. 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 Gunnlaugsson cabinet (2013-2016) partially reversed this reform in 2013 by appointing separate ministers to head the Ministry of Welfare's subdivisions of Social Affairs and Housing, and Health Affairs. Furthermore, a separate Minister of Environment and Resources was appointed at the end of 2014. These changes increased the number of ministers from 8 to 10. Facing parliamentary elections at the end of October 2016, opinion polls indicate that only a 3-5 party majority government is possible. That might lead to pressure to increase the number of ministries.

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. Yet, 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 or no involvement in policy development. After the publication of the Special Investigation Commission report, a committee was formed to evaluate and suggest necessary steps toward the improvement of public administration. In order to improve working conditions within the executive branch, the committee proposed introducing legislation to clarify the prime minister's role and responsibilities. In March 2016, new regulations on governmental procedures were approved (Reglur um starfshætti ríkisstjórnar), requiring ministers to present all bills they intend to present in parliament first to the cabinet as a whole.

Citation:

Reglur um starfshætti ríkisstjórnar. Nr. 292/2016 18. mars 2016.

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

Cabinet  
Committees  
Score: 6

Cabinet committees rarely prepare cabinet meetings, although 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. In 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 permitting 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.

The number of ministerial committees to coordinate overlapping policy issues has been reduced since the preceding review period from 7 to 3. These committees are: the Ministerial Committee on Public Finances (Ráðherranefnd um ríkisfjármál), with four ministers and the Ministerial Committee on National Economy (Ráðherranefnd um efnahagsmál), with four ministers. The newly established Ministerial Committee on Coordination of Issues that concern more than one ministry (Ráðherranefnd um samræmingu mála er varða fleiri en eitt ráðuneyti) encompasses the former ministerial committees

on Equality, On Solutions for the Debts of Families, on Arctic Affairs, and on Public Health Affairs. Even though this includes all possible issues, four are specifically mentioned: Equality, issues of refugees and immigrants, arctic affairs, and public health.

Citation:

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

<http://www.forsaetisraduneyti.is/raduneyti/nefndir/radherranefndir/>

Ministerial  
Bureaucracy  
Score: 7

Ministry officials and civil servants play an important role in preparing cabinet meetings. Even so, no cooperation between ministries is presumed in cases when the ministers themselves are not involved. As a consequence of the strong tradition of ministerial power and independence, the involvement of too many ministries and ministers has been found to be a barrier to policy making. Currently, coordination between ministries is irregular. The prime minister has the power to create coordination committees, but the number of active committees is currently low.

Informal  
Coordination  
Score: 7

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 Commission's 2010 report as "super-ministerial groups." The SIC 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 SIC report also identified a tendency to move big decisions and important cooperative discussions into informal meetings between the chairmen of the ruling coalition parties. In March 2016, revised regulations on the procedures for cabinets were introduced but this only addresses formal cabinet meetings and not informal ministerial meetings. Therefore, we can conclude that the SIC report's call for clearer regulation has partly been addressed. However, informal meetings continue without proper reporting.

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. 292/2016. 18. mars 2016. (Rules on procedures in cabinets).

### Evidence-based Instruments

RIA Application  
Score: 7

Iceland had no history of conducting regulatory impact assessments until March 2016 when new regulations on cabinet procedures were enacted (Reglur um starfshætti ríkisstjórnar). Paragraph 13 is regarding impact

assessment of cabinet bills. Every minister shall evaluate the impact, even financial, of every bill he intends to submit to the parliament. This impact assessment shall be a part of the explanatory statement with the bill. However, the methodology for these impact assessments is not defined any further in the regulations.

Citation:  
Reglur um starfshætti ríkisstjórnar. Nr. 292/2016 18. mars 2016.

Quality of RIA  
Process  
Score: 5

The new regulations on cabinet procedures (Reglur um starfshætti ríkisstjórnar), including para. 13 about impact assessments of cabinet bills, partly ensure participation, but are too limited to ensure quality, since any methodology is absent. Stakeholders, other ministries, and the public shall be informed during the process, which is an important step toward transparency.

Citation:  
Reglur um starfshætti ríkisstjórnar. Nr. 292/2016 18. mars 2016.

Sustainability  
Check  
Score: 5

The new regulations on cabinet procedures, enacted in March 2016, do not include anything about sustainability checks as parts of the impact assessment. However, financial impact is mentioned.

Citation:  
Reglur um starfshætti ríkisstjórnar. Nr. 292/2016 18. mars 2016.

### Societal Consultation

Negotiating  
Public Support  
Score: 6

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). Repeated disputes finally led to a withdrawal from the pact by the main employers' association.

Another example of public consultation was the process of revising the 1944 constitution. This process involved the creation of a national assembly, comprising 950 individuals selected at random from the national register. In addition, a further 25 constituent assembly representatives were nationally elected from a list of 522 candidates. The constituent assembly, later called the Constitutional Council, unanimously passed a constitutional bill in close accord with the conclusions of the national assembly in 2011. However, parliament has not yet ratified the bill, even though the bill received the support of 67% of the voters in a national referendum in October 2012. Before

the parliamentary elections in October 2016 all four opposition parties declared that, if elected, they would seek to form a government that will ratify the new constitution.

Wage disputes affected labor market stability in 2014 and 2015 beginning with doctor and nurse strikes. In late 2015, the government, several trade unions and employers' associations signed a deal on wage contract negotiation methods, which would move Iceland toward the so-called Nordic corporatism model. This SALEK deal covered about 70% of all trade union members. At the time of writing the other 30% still have not made any SALEK deal.

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>

Gylfason, Thorvaldur, Constitution on ice, in Erlingsdóttir, Irma, Valur Ingimundarson, and Philippe Urfalino (eds.), *The Politics of the Icelandic Crisis* (forthcoming). Also available as CESifo Working Paper No. 5056, November 2014. See [https://notendur.hi.is/gylfason/cesifo1\\_wp5056.pdf](https://notendur.hi.is/gylfason/cesifo1_wp5056.pdf)

### Policy Communication

Coherent  
Communication  
Score: 5

The government of Iceland generally speaks with one voice. However, in the so-called West Nordic administrative tradition, where ministers are responsible for institutions subordinate to their ministries, 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 2009-2013 cabinet proved to be an exception to this tradition since three Left-Green Movement parliamentary members withdrew from the governing party coalition. That brought the government close to the threshold of becoming a minority government and forced it to negotiate with the opposition on contentious issues. Despite this internal dissent, the cabinet coalition held together to the end of its mandated term.

Under the 2013-2016 center-right cabinet comprising the Progressive Party and the Independence Party the situation has reverted to the traditional Nordic practice. The leaders of the two coalition parties sometimes issued conflicting statements, but this did not result in any open conflict.

In early April, however, events took a dramatic turn following the publication of the Panama Papers, 11.5 million leaked documents that detail financial and attorney-client information for more than 200,000 offshore entities, exposing

how wealthy individuals and public officials may use offshore bank accounts and shell companies to conceal their wealth or avoid taxes. On 3 April, the Icelandic state-run television (RÚV) showed an interview with prime minister Gunnlaugsson (Progressive Party) on Swedish program “Uppdrag granskning” (mission investigation). He was asked about his and his wife’s ownership of an offshore bank account in the Virgin Islands. Gunnlaugsson denied ownership, but after having been confronted with the evidence, he walked out of the interview. On the second day after this incident he went to the president, without the knowledge of the leader of the Independence Party, to try to convince him to dissolve parliament and declare new elections. The president refused. Later the same day, Gunnlaugsson resigned as prime minister but continued as chairman of the Progressive Party. The vice-chairman of the party, Sigurður I. Jóhannesson, took over as prime minister and elections were announced for the autumn. At the party congress in early October, Gunnlaugsson lost the chairmanship to Jóhannesson. In addition to prime minister Gunnlaugsson, the names of the Independence Party leader (finance minister) and deputy leader (interior minister) were both found in the Panama Papers, as was the name of the President’s wife, the first lady. Thousands of protesters took to the streets in Reykjavík as in 2008, forcing the government to advance the upcoming parliamentary election by six months, from April 2017 to October 2016. These events starting with the world famous TV interview with the Icelandic prime minister at the beginning of April are the newest, and by far the most famous, example of open conflict in an Icelandic cabinet, earning the 2013-2016 cabinet the nickname “Panama government.”

### Implementation

Government  
Efficiency  
Score: 6

As a rule, the strength of the executive branch vis-a-vis 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 2009-2013 left-wing cabinet were twice overturned by the public in national referendums, in 2009 and 2011. On both occasions, the referendums 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 2009-2013 cabinet 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 due to internal disagreements between the coalition parties (Social Democrats and Left-Green movement) and the obstructive tactics of the opposition, including extensive filibustering.

The cabinets of Gunnlaugsson (2013-2016) and Jóhannesson (2016), both with a parliamentary majority of 38-25, have had no problems in implementing their policy objectives, even though some ministerial initiatives have been thwarted.

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.

Under the 2009-2013 cabinet, 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, voted against the resolution. Bjarnason repeatedly expressed his opposition to Iceland's accession to the EU throughout his tenure. The following cabinets have experienced no such ministerial divisions - except the aforementioned episode of former prime minister Sigmundur Davíð Gunnlaugsson in early April 2016 as the Panama Papers scandal broke.

Monitoring  
Ministries  
Score: 10

In March 2016, revised regulations regarding the monitoring and oversight of ministries were introduced, replacing those from 2013. 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. 292/2016). This regulatory change is a step toward stronger, formal monitoring of ministerial bills.

Citation:

Regulations on government procedures. (Reglur um starfshætti ríkisstjórnar. Nr. 292/2016 18. mars 2016).

Monitoring  
Agencies,  
Bureaucracies  
Score: 3

The monitoring of public agencies by ministries is weak. Public agencies and government ministries have often spent more money than allotted to them in the government budget. This problem has been exacerbated due to 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 crash and its consequences. Moreover, National Audit Office's resources have been cut. Between 2011 and 2012, the number of personnel was reduced from 47 to 42. At the end of 2015, the National Audit Office had 41 employees. This reduction in personnel is hardly going to increase the effectiveness of the National Audit Office which seems to be getting gradually weaker.

Citation:

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

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

Nation Audit Office Annual Report 2014. (ÁRSSKÝRSLA RÍKISENDURSKOÐUNAR 2014. APRÍL 2015).

Nation Audit Office Annual Report 2015. (ÁRSSKÝRSLA RÍKISENDURSKOÐUNAR 2015. MARS 2016).

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 either been forced to amalgamate or cooperate on service provision 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 have been planned - though without any dates set, including responsibility for elderly care. Negotiations on the transfer of elderly care have been repeatedly postponed due to disagreements over funding arrangements between central and local governments. The negotiating and preparation committee with representatives from state and local levels has in fact had no formal meeting since August 2013 ([www.velferdarraduneyti.is/yfirfaerslan/](http://www.velferdarraduneyti.is/yfirfaerslan/)).

The issue on state funding once again came to the fore in 2015 when several music schools were threatened by bankruptcy due to a funding dispute between central and local governments, still unsettled in late 2016.

Citation:

Grétar Thór Eythórsson (2016): Alternative to Amalgamations? Inter-Municipal Cooperation in the fragmented local government system of Iceland. Unpublished essay.  
[www.velferdarraduneyti.is/yfirfaerslan/](http://www.velferdarraduneyti.is/yfirfaerslan/)

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 – the Ministry of the Interior – have the power to make 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.

Citation:

Eythórsson, 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 standards of social services. Nevertheless, central government monitors compliance with some standards, and has even raised certain standards to an unattainable level in view of the financial support available to local governments.

### 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 2009-2013 cabinet 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 8. The Gunnlaugsson cabinet (2013-2016) partially reversed some of these mergers and has increased the number of ministers from 8 to 10.

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 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. Those negotiations were postponed at the beginning of 2013 due to dissent between the coalition partners. The 2013-2016 cabinet did not renew negotiations and finally withdrew Iceland's application for membership in 2015. As a result, the EU no longer includes Iceland on its official list of applicant countries. Even so, the EU may continue to view Iceland as an applicant country on the grounds that the minister of foreign affairs was not authorized to withdraw an application approved by parliament without parliament's approval.

This question remains unsettled. It remains to be seen if a national referendum will be held on whether Iceland should resume its membership negotiations with the EU. The cabinet of 2013-2016 rejected that option, producing a split within the Independence Party and leading to the establishment of a splinter party, Regeneration. Others ask why anyone should pay attention to a new referendum as long as parliament continues to disrespect the result of the 2012 constitutional referendum.

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 2009-2013 cabinet reshuffled several ministerial portfolios to strengthen policy coordination and administrative capacity. The 2013-2016 cabinet immediately reversed some of these mergers, increasing the number of cabinet ministers from 8 to 10.

Institutional  
Reform  
Score: 8

Iceland's recent governments have sought to improve the central government's strategic capacity by reviewing ministerial structures. The 2007-2009 cabinet of Haarde initiated this process, while the 2009-2013 cabinet of Sigurðardóttir continued this process by reducing the number of ministries from 12 to 8 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 2013-2016 cabinet, however, has partially reversed these reforms by again increasing the number of ministers by two.

## II. Executive Accountability

### Citizens' Participatory Competence

Policy  
Knowledge  
Score: 8

Iceland's citizens are generally well informed about government policy. In local surveys, most citizens demonstrate familiarity with public policies, especially with respect to policies that either interest them 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. Extensive interpersonal networks between citizens and Iceland's distance from other countries contribute to the domestic focus of Icelandic politics.

The immediate response 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 two of 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 Commission report six weeks before the elections. Even so, in the 2013 parliamentary elections, the Progressive Party (Framsóknarflokkurinn) made the largest proportionate gains, increasing its 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 at foreign expense. In the same election, the previous governing coalition lost more than half of their combined seats. The cabinet that came to power in 2013 was led by the Progressive Party.

Public debate surrounding two national referendums, in 2009 and 2011, concerning the so-called Icesave dispute, suggests 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. Declining levels of public trust in politicians and the associated increase in political apathy coincide with a noticeable deterioration in how well-informed citizens are about national and

international affairs. In the 2014 local government elections, voter turnout declined further from 2010. In 2006, voter turnout had been 78.7%. In 2010, it declined to 73.5% and in 2014 it dropped to 66.5%. At 79%, voter turnout in the parliamentary election of 2016 was the lowest recorded since the early years of the 20th century. Turnout among people aged 18 to 25 years old is especially low. Most current electoral research indicates that a significant proportion of young people do not vote due to apathy and lack of interest in politics.

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? (What are the main reasons for the low voter turnout in the Local Government elections in 2014?).

Eythórsson, G.T. and Önnudóttir, E.H. (2016): Abstainers reasoning for not voting in the Icelandic Local Government Election 2014. To be published in "Íslenska þjóðfélagið" in autumn 2016.

Eythórsson, G.T. and Önnudóttir, E.H. (2016): Abstainers reasoning for not voting in the Icelandic Local Government Election 2014. Work in progress.

### Legislative Actors' Resources

Parliamentary  
Resources  
Score: 3

Parliamentarians have access to experts employed by parliament. While the 29-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. Ministers also have access to resources in their ministries. The 2007-2009 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: 6

The Information Act from 2012 (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 most infamous 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 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. Further, a leaked transcript of the telephone conversation, reported on national television (RÚV), suggests that the bank may have committed legal violations. Even so, the governing board of the Central Bank, appointed by parliament and tasked with ensuring the bank operates in accordance with the law, is not known to have discussed the issues arising from this leak as the minutes of its meetings are not open to the public.

Citation:

The Information Act (Upplýsingalög nr. 142/2012)

Summoning  
Ministers  
Score: 9

Parliamentary committees can legally summon ministers for hearings, but seldom do so. The foreign minister is summoned and usually attends meetings of the Foreign Affairs Committee. The relative representation of each party across and within parliamentary committees reflects the relative representation of each party in parliament.

The Special Investigation Commission, appointed by the parliament in December 2008 to investigate the processes that led to the collapse of Iceland's three main banks, summoned several ministers and ex-ministers during 2009 and 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

Summoning  
Experts  
Score: 10

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. He is now Iceland's ambassador to the United States.

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 Þránín Bertelsson (Double Life – Everyone proclaims innocence ..., a conversation with Þránín Bertelsson), *Tímarit Máls og menningar*, 4. hefti.

Task Area  
Congruence  
Score: 5

Since the Gunnlaugsson and later Jóhannsson cabinet came to office in 2013, only four of the eight standing parliamentary committees fully coincide with ministry responsibilities: the Economic Affairs and Trade Committee (Efnahags- og viðskiptanefnd) coincides with the Ministry of Finance and Economic Affairs (Fjármála- og efnahagsráðuneytið); the Industrial Affairs Committee (Atvinnuveganefnd) coincides with the Ministry of Industries and Innovation (Atvinnuvega- og nýsköpunarráðuneytið); the Foreign Affairs Committee (Utanríkismálanefnd) coincides with the Ministry of Foreign Affairs (Utanríkisráðuneytið); and the Welfare Committee (Velferðarnefnd) coincides with the Ministry of Welfare (Velferðarráðuneytið). Others did not coincide and the Ministry of Welfare was split up between two ministers by the Gunnlaugsson cabinet.

Two of the standing parliamentary committees have a special role vis-à-vis 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, even if the task areas of parliamentary committees and ministries nearly coincide, that does not guarantee 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 vast 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 41 in 2015, a total of 16%.

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, efficient, and generally well regarded. The office has 13 staff members, including nine lawyers. In March 2016, Gallup reported that 52% of its respondents expressed confidence in the Parliamentary Ombudsman compared with 17% confidence in parliament.

### 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 since the small size of the market limits the financial resources of TV stations. However, in-depth analysis on TV increased significantly when the private TV station Hringbraut increased such analyses in their program in 2016. Critical analysis of government policies by independent observers, experts, and journalists is a fairly recent phenomenon in Iceland. The Special Investigation Commission report had a separate chapter on the media before and during the 2008 economic collapse. The report criticizes the media for not having been 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 too biased toward the banks. This bias, well known in the United States during the 1920s for example, was associated with overlapping ownership of the banks and media companies.

### Parties and Interest Associations

Intra-party  
Democracy  
Score: 8

In the 2013 parliamentary elections, 4 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. Most parties have a tradition of primary elections in which only party members have the right to vote. For example, in the case of the Social Democrats, a signed declaration of support is required, rather than the stricter and more common requirement of party membership. The Progressive Party has 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. Newer party Bright Future (Björt Framtíð), with six seats in 2013 and four in 2016, did not nominate candidates by primary elections before the 2016 election, but have since developed its procedures for internal decision making. Regeneration (Viðreisn), a new liberal party founded in 2016, also does not hold primary elections. The Pirate Party (Píratarpartýið), which won 3 seats in 2013 and 10 in 2016, has been the biggest party in opinion polls since the beginning of 2015. The party held primary elections in every constituency in the autumn 2016. Due to the limited time for election campaigning in 2016, the traditional parties skipped primary elections in some constituencies and used other nomination methods within the party organization.

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, referred to as the employers' association) has close, informal ties to the right-wing Independence Party. Likewise, the Icelandic Confederation of Labor (Alþýðusamband Íslands) has close links to the parties on the left, although 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.

Closely associated with the Confederation of Icelandic Employers is the Iceland Chamber of Commerce, which, in 2016, declared Iceland superior to other Nordic countries in most respects two years before the banks collapsed, has continued to dispense advice to the government.

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' association, the employees' union, the government, and the Federation of Municipalities signed an

agreement intended to promote economic stability (Stöðugleikasáttmáli). The agreement proposed a restructuring of the economy through wage and price freezes, among other issues. Then, in autumn 2015, the representatives of the government, employers and labor unions signed the so-called SALEK agreement, a framework for collective agreements in the labor market. This agreement applies now to approximately 70% of employees. Some public sector unions have so far refused to agree on SALEK.

Under the Sigurðardóttir cabinet of 2009-2013, the Federation of Icelandic Fishing Vessel Owners resisted government plans to change the regulation of fishing quotas. However, the federation was 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 2009-2013 cabinet failed to realize its goal of restructuring the management system for Iceland's fisheries, despite raising fishing fees significantly. However, the 2013-2016 cabinet lowered the fees already in 2013, against IMF advice.

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 of Disabled in Iceland (Öryrkjabandalagið), with 41 associated organizations and a staff of 12, and the Consumers' Association of Iceland (Neytendasamtökin), with a staff of 7 and 8,500 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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