



Iceland Report

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Sustainable Governance Indicators 2022

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Executive Summary

In the parliamentary election in September 2021, the cabinet coalition of the Left-Green Movement, the Independence Party and the Progressive Party, which has been in office since 2017, won a renewed mandate and remained in office, reshuffling some ministries among the coalition partners. In the 2021 election, eight parties won seats in parliament: the Independence Party won 24.4% of the vote and 16 seats, the Progressive Party won 17.3% and 13 seats, the Left-Green Movement won 12.6% and eight seats, the Social Democratic Party won 9.9% and six seats, the People's Party won 8.8% and six seats, the Pirate Party won 8.6% and six seats, Regeneration won 8.3% and five seats, and the Center Party won 5.4% and three seats. The Socialist Party, running for the first time, won 4.1% of the vote, falling short of the 5% threshold needed to win a seat. The 2017–2021 coalition gained two seats compared with 2017, winning a total of 37 out of 63 seats. One elected member of the Center Party switched to the Independence Party immediately after the election, which increased the number of coalition seats to 38, against 25 for the opposition. The Progressive Party was the winner of the election, gaining five seats. Meanwhile, the Center Party, which broke away from the Progressives in 2016, lost four seats, for a combined gain of one seat from 2017 to 2021. The other two coalition partners lost support. The Independence Party held on to its 16 seats, despite its share of the vote decreasing by one percentage point, and the Left-Greens lost three seats.

After a recount redistributed five of parliament's 63 seats following the 2021 election, several candidates filed charges against the election board in the northwest constituency. The plaintiffs argued that the election board had failed to seal the votes after completing its initial count and had left them unattended. The preparatory Credentials Committee was subsequently established to investigate these claims. Following weeks of discussions, the committee submitted its findings to parliament with the recommendation that the recount should stand. Parliament concurred. Vocal demands for a recount in the northwest constituency or in all six constituencies, filed in formal complaints to parliament, went unheeded. Several complaints have been filed with the European Court of Human Rights.

Freedom House no longer categorizes Iceland as a full-fledged democracy. Iceland's democracy score was 100 in 2016, but dropped in stages to 94 in

2021. Likewise, Transparency International has reduced Iceland's Corruption Perceptions Index score from 82 in 2012 to 74 in 2021, leaving the country well behind the other Nordic countries with respect to honesty and democracy. These results suggest a decline in Iceland's social capital. In the seventh wave of the World Values Survey taken in 2017–2020, 63% of Icelandic respondents stated that they had little to no confidence in parliament and 67% stated that they had little to no confidence in the government.

Iceland did well in the battle against COVID-19. At the end of 2021, the number of deaths attributed to the pandemic was 39 in a population of 370,000, corresponding to 105 deaths per million inhabitants, which places Iceland 163rd among the 224 countries on the list compiled by Worldometers.

Meanwhile, partly due to the pandemic, and partly due to lax and unfocused economic policies in response to the pandemic, inflation, unemployment and public debt rose significantly during the pandemic. The extent to which the economic deterioration proves to be transitory remains to be seen.

Citation:

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Key Challenges

Iceland faces several key challenges in the economic and political sphere, which are listed below from relatively minor to major.

First, increased inflation during the pandemic seems likely to increase tensions in the labor market with an increased risk of debilitating strikes or inflationary

wage settlements of the kind that Icelanders know well from the past. The Icelandic króna has lost 99.95% of its value vis-à-vis the Danish krone since 1939. Many observers consider inflation hard to keep under firm control with unchanged monetary and financial arrangements, concluding that Iceland needs to adopt the euro, a controversial proposition at present. They cite Ireland, which, with the euro, has recovered much better than Iceland from the financial crisis of 2007–2008. They also cite oppressive oligopoly in domestic banking, which is unencumbered by foreign competition, a unique situation in Europe.

Second, while government finances were reasonably balanced for several years before the COVID-19 pandemic struck in 2020, fiscal equilibrium is not a particularly impressive feat when important responsibilities of public authorities suffer from long-standing financial neglect. For example, Iceland's largest hospital, Landspítalinn (LHS), has for many years faced serious difficulties, a situation that is viewed by some observers as an existential threat to the healthcare system.

Third, before the pandemic broke out, tourism had developed into Iceland's biggest foreign-exchange earner, outweighing fish and aluminum combined. With the outbreak of COVID-19, tourism earnings contracted by 60%. It is impossible to know the extent to which tourism will recover when the pandemic subsides. Some observers consider full recovery to the point where the number of foreign tourist arrivals each year equals seven times Iceland's population unlikely, in part because concerns about climate change seem likely to lead governments to levy fees on foreign travel to limit CO₂ emissions. Even so, tourism will still be important to the national economy in the future.

Fourth, too little is known about the offshore financial holdings of Icelanders. When the Panama Papers scandal broke in 2016, Icelanders outnumbered nationals from all other countries in per capita terms in the documents. Academic research suggests that, within Europe, hidden wealth in offshore tax heavens in 2007 ranged from 3% of GDP in Denmark to nearly 50% in Russia. No such figures are available for Iceland. This matters because large amounts of money are known to have been transferred from Icelandic banks to accounts abroad immediately before and even during the financial collapse in 2008, and because vessel-owning oligarchs have for many years been granted about 90% of economic rents from Iceland's fisheries, which leaves 10% for the lawful owner, the people of Iceland. Full disclosure and transparency in these matters would help to secure reasonable tranquility in the labor market and to restore trust.

Fifth and last, Iceland needs a better, more honest and more competent political class, as parliament itself acknowledged in 2010 when it resolved unanimously (with 63 votes to zero, and no abstentions) that “criticism of its political culture must be taken seriously” (authors’ translation). Without a reformed political class, democratically elected on a level playing field, the prospect that much needed reforms are implemented appear bleak. These reforms include a full account of the nation’s onshore and offshore wealth, as well as the overhaul of banking and finance. The first and most important step in this direction is the ratification of the new, revised constitution, which has been ready for parliamentary ratification since 2013. The new constitution, which was given the green light by 67% of voters in a national referendum called by parliament in 2012, aims to strengthen democracy through introducing more effective checks and balances, increasing transparency, improving judicial appointments, implementing an urgent election reform to equally weight votes (as stipulated by a 2010 national forum, the 2011 constitutional bill and the 2012 national referendum), and introducing a constitutionally guaranteed public right to the rents from Iceland’s natural resources. Following ratification, the new constitution would reduce the role of money in Icelandic politics.

Citation:

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Party Polarization

Iceland has performed above the OECD average for “ideological polarization in party systems” since 2013. Since 2016, however, Iceland has shown signs of greater polarization. The economic collapse of 2008 led to a period of substantial turbulence in Icelandic politics, further exacerbated by the resignation of Prime Minister Gunnlaugsson in 2016 due to his implication in

the Panama Papers scandal. There have been three parliamentary elections in Iceland since 2016: one in 2016 triggered by the Panama Papers scandal, one in 2017 triggered by a pedophilia scandal and one in 2021 that was not triggered by any scandal. The number of parties in parliament has increased. In 2007 and 2009, five parties won seats in parliament. After the 2013 election, six parties were represented in parliament, then seven parties in 2016, and eight parties in 2017 and 2021. Whether this stems from increased polarization in the political arena is not clear. The new parties now represented in the parliament (Althingi), such as Regeneration (Viðreisn) and the Center Party (Miðflokkurinn), are splinter parties that were not established on the basis of any significant ideological polarization. The Pirate Party and the People's Party are more ideological. The Pirate Party emphasizes freedom of speech, free information, direct democracy, and transparency in politics and public administration. Meanwhile, the People's Party focuses on the interests of the lowest-paid workers and vulnerable groups, such as the elderly and disabled.

Crypto-fascist tendencies increasingly in evidence elsewhere in Europe are not clearly visible in Icelandic politics. Nevertheless, latent sympathy with real or imagined foreign strongmen (e.g., presidents Putin and Trump) and their methods can be discerned in the political discourse of some representatives of the Independence Party, including its main organ (Morgunblaðið), and the Center Party. For example, the constant criticism of RÚV, the public broadcasting corporation, by right-wing politicians is often put forward without clear evidence.

The pre-crash government (2007 – 2009) was a coalition of the Social Democrats and the Independence Party, spanning the left-right ideological spectrum. Two subsequent coalition governments (a left-wing coalition 2009 – 2013 and a center-right coalition 2013 – 2016) followed more traditional patterns of allegiance, with polarization more clearly evident than it is today. Until 2017, it was considered highly unlikely (if not unthinkable) for the Independence Party and the Left-Green Movement to join forces in government. However, that happened following the 2017 election, which produced the present right-center-left coalition government of the Independence Party, the Left-Green Movement and the Progressive Party, a coalition that continued in office with a renewed mandate from the voters in 2021. The coalition has not experienced any significant internal disputes over policy, which, since 2020, has been dominated by the COVID-19 pandemic. (Score: 8)

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Sustainable Policies

I. Economic Policies

Economy

Economic Policy
Score: 6

It took the Icelandic economy eight to nine years to recover from the harsh IMF-engineered fiscal adjustment to the 2008 financial crash. Recent years saw brisk GDP growth, which abruptly turned negative due to the COVID-19 pandemic in 2020. Real GDP contracted by 6% in 2020 as earnings from tourism collapsed by 60%, but real GDP is expected to expand by 4% in 2021 and 5% in 2022. Unemployment doubled to 6% of the labor force in 2020 and 2021, and inflation rose to 4% in 2021 and 6% in early 2022. The króna depreciated by 15% vis-à-vis the euro in 2020. In real terms, the effective exchange rate depreciated by 16% from 2017 to 2020. The current account of the balance of payments remains roughly in equilibrium. While remaining roughly balanced between 2016 and 2019, the government budget turned sharply into a deficit equivalent to 9% of GDP in 2020, as public expenditure rose above 50% of GDP for the first time since 2008–2011. Gross public debt rose from 60% of GDP in 2018 to 80% of GDP in 2019 and 2020. Public services, especially healthcare and education, remain hampered by a significant shortage of funds. The central bank, which lowered interest rates at the beginning of the pandemic in 2020 to stimulate the economy, has reversed course and started to increase interest rates to counter inflation.

With inflation at its highest level in a decade and the risk of more to come, labor unions, under new leadership, continue to demand compensatory wage increases, egged on by the large wage hikes granted earlier to members of parliament and senior public officials. To wit, the salaries of members of parliament increased by 111% between 2011 and 2018. Under these circumstances, and in view of generous CEO compensation, concerns about distributive justice in the labor market continue to loom large.

The government has taken a first step toward reducing its stake in one of the three main banks, but in a way that recalls the botched privatization of the banks that led to their demise shortly afterward in 2008. The local banks face no foreign competition. No specific reforms have been implemented to provide a more reliable economic framework or promote international competitiveness.

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Labor Markets

Labor Market
Policy
Score: 6

For a long time, labor market policy and labor mobility within Iceland kept unemployment low in general. Just before the collapse in 2008 the unemployment rate was below 1%, reflecting an overheated economy. However, this changed after the collapse, but less than might have been expected. In 2010, the unemployment rate peaked at just under 8% of the labor force. Thereafter, joblessness gradually declined to below 3% in 2018 before rising to 6% during 2020–2021, still a low rate compared with many European countries. Most of the increase in unemployment, about 90%, is attributed to the collapse of tourism due to the pandemic. As the pandemic subsides, unemployment is expected to revert to 4% or thereabouts, a point or so above Iceland’s natural rate of unemployment by common assumption. Whether this happens, or happens quickly, depends on whether tourism will return to its pre-pandemic scale and scope, an uncertain prospect in view of concerns about foreign travel and climate change.

Iceland’s labor market legislation has essentially remained unchanged since 1938 with wage contracts negotiated by the leadership of labor unions and employers’ associations, granting both partners significant market power. Recent wage contracts resulted in high nominal wages. Real wages have risen by nearly 50% since 2010, but they have recently been eroded by rising prices, triggering concerns about destabilizing wage negotiations in late 2022, including competing wage claims (leapfrogging).

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Taxes

Tax Policy
Score: 6

Taxation, which has in recent years hovered between 42% and 45% of GDP, is unable to fulfill the goals of revenue generation, equity, growth promotion and ecological sustainability. Education (though less so than before), healthcare, welfare provisions and environmental protection all remain underfunded, a long-standing issue. The tax system could be more progressive. In view of the information that came to light in, for example, the Panama Papers, the tax authorities could do more to expose and tax wealth hidden in foreign tax havens. Fishing fees remain far below potential as only 10% of the common property resource rent from fisheries accrues to taxpayers, while 90% accrues to the owners of fishing vessels as documented by Thorláksson (2015), a former director of Internal Revenue. Disadvantaged social groups (e.g., disabled people and pensioners) complain bitterly about being left behind.

As an example of a missed opportunity for generating revenue, and promoting equity, growth and environmental sustainability, the authorities have allocated the right to exploit Icelandic waters close to shore for aquaculture to private, foreign concerns without charge. It appears that the authorities were afraid of charging foreigners for the right to exploit Iceland's natural resources, because it could strengthen the case of those who demand that domestic vessel owners pay more for their rights to exploit Iceland's common property resource.

Citation:

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Budgets

Budgetary Policy
Score: 5

Fiscal sustainability remains a serious concern in view of the dire financial situation of several key public undertakings and institutions, such as social security and the State University Hospital, which declared a state of emergency during the COVID-19 pandemic. Several other public institutions remain in financial difficulty, including the State Broadcasting Corporation (RÚV). The fiscal balance is not on a firm, sustainable foundation, and vital public institutions and infrastructure continue to suffer from long-standing financial neglect. The rapid expansion of public spending and debt, partly to finance COVID-related measures, has led to the re-emergence of inflation, which will exacerbate the fiscal policy situation as interest rates rise globally.

Citation:

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Research, Innovation and Infrastructure

R&I Policy
Score: 7

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 led to the creation of new private firms focused on biotechnology, pharmaceuticals and high-tech manufacturing. Such export-oriented firms were helped by the depreciation of the króna, which lost a third of its value in real terms following the 2008 crash, but they were then hurt by the króna's gradual recovery. The economic collapse in 2008 led to a cut in R&D expenditure to 1.8% of GDP in 2013. Since then, R&D expenditure has recovered to 2.5% of GDP (Statistics Iceland). In 2017, Iceland had 6,100 researchers per million people in R&D compared with 4,100 for the OECD region as a whole and 4,000 for the European Union (World Bank). The number of small high-tech startup companies has risen in recent years, supported by vigorous research in life sciences and energy, as well as by favorable investment incentives.

Citation:

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Global Financial System

Stabilizing
Global Financial
System
Score: 4

Iceland has never sought to make a substantial contribution to the improvement of the international financial architecture. Even so, the government took significant steps to address the extreme instability of the domestic financial system after 2008, including steps that have attracted international attention and have been held out as an example for other countries.

The post-crash 2009 – 2013 government significantly strengthened the Financial Supervisory Authority (FME) and established a Special Prosecutor's Office charged with investigating legal violations related to the financial crash. By late 2018, the Supreme Court had sentenced 36 individuals (30 bankers, three executives, two auditors, and a cabinet secretary in the finance ministry) to a total of 88 years in prison for crash-related offenses, with an average jail term of 2.5 years per convict. The 88 years of total prison time have not been evenly divided among the banks, however: Kaupthing got 32 years, Glitnir got 19, Landsbanki got 11 years, Savings and Loans got 12 years, and others 14 years. The uneven distribution of sentences across the three main banks (even if they were very much alike) may create concerns about unequal justice. At the end of 2015, after having been substantially reduced in terms of staff and funding, the Special Prosecutor's Office was merged with the District Prosecutor's Office under the directorship of the former Special Prosecutor.

Under new management following the crash, the FME sought to impose tougher standards. For example, prior to the crash, the owners of the banks were their largest borrowers. This is no longer the case. Further, banks commonly provided loans without collateral, but this practice has since been discontinued. Before, 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 privileged 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. Due to bank secrecy, such debt write-offs are impossible to ascertain. Under new management, after the proactive director of the FME appointed in 2009 was replaced in 2012, the FME lacked strong and clear leadership, and was incorporated into the central bank in 2020. This was a controversial move because of the ineffectiveness of central bank financial supervision before the FME was established as an independent entity in 1998.

According to a February 2021 Gallup poll, banks are among the least trusted institutions in Iceland. Only 26% of respondents expressed confidence in the banks, compared with 34% who expressed confidence in the parliament and 46% who expressed confidence in the judicial system.

In October 2018, Iceland was added to the Financial Action Task Force's grey list of countries, a list of countries that have not introduced sufficient measures to combat money laundering and the financing of terrorism. However, Iceland

was taken off the list two years later after satisfactorily completing measures against money laundering and terrorist financing.

Foreign competition in the banking sector remains absent, offering huge monopoly rents to bank owners, a unique feature of Icelandic banking, which helps to explain why bank ownership is so coveted among Iceland's clan-based business elite.

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II. Social Policies

Education

Education Policy
Score: 6

General government expenditure on education in Iceland amounted in 2018 to 7.6% of GDP compared with 4.9% for the OECD region as a whole and 4.6% for the European Union. These figures include expenditure funded by local, regional and central governments. The composition of education expenditure also matters. In 2018, government expenditure on tertiary education in Iceland amounted to 2.8% of total general government expenditure compared with 2.9% for the OECD and 2.5% for the European Union. This marked a clear improvement from 2016, when government expenditure on tertiary education in Iceland amounted to 20% of total general government expenditure on education compared with 23% for the OECD and 22% for the European Union. In 2018, Iceland spent more than the OECD average on each primary and secondary student, and only slightly less than the OECD average on each tertiary student (OECD). Iceland's universities are no longer underfunded to the extent they used to be. Iceland caught up.

Municipalities are responsible for primary schools. Upper secondary schools and public universities are run by the central government. The duration of upper secondary education was reduced in 2015 from four years to three so that students now enter university at the age of 19 rather than 20, a sign of increased efficiency.

In recent years, Iceland's music schools, once the pride of Iceland's education system due to their unique model of mixed private and public funding, as well as their important contribution to Iceland's cultural life, continued to fight for their survival, with no end to the struggle in sight.

The OECD has long highlighted the relatively low proportion of Iceland's labor force with secondary or tertiary level qualifications – a key factor in explaining Iceland's low productivity, long working hours and high rates of labor force participation. In 2020, 70% of Icelandic 25 to 64 year olds had not attained an upper secondary education compared with 58% for the OECD region on average. Recently revised figures from Statistics Iceland show that Icelanders worked 1,440 hours per year on average in 2020 compared with 1,420 hours on average in Denmark, Finland, Norway and Sweden, and 1,690 hours on average in the OECD. Earlier figures had shown much longer hours of work in Iceland than in the rest of the Nordic region.

Iceland's low PISA scores, last updated in 2018, have declined since 2000 and are now well below average in the OECD region, and remain a source of concern.

Equity issues arise in education policy only in connection with education in rural areas where high-quality schooling is more difficult to provide to small numbers of pupils of different ages spread over large areas. Pupils from immigrant families appear to be well served.

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Social Inclusion

Social Inclusion
Policy
Score: 7

From 1995 to 2008, as described in earlier reports, income inequality in Icelandic society increased dramatically, driven by a regressive tax policy and a rapid increase in capital income. After the crash of 2008, the tax system was made more progressive by levying the smallest tax increases on the lowest income groups. The Gini index for total disposable income in Iceland, including capital gains, rose by one point a year from 1995 onward until the crash of 2008, an unprecedented development (Gylfason, 2015, based on data from Internal Revenue Directorate; Ólafsson and Kristjánsson, 2013). According to the World Inequality Database, the distribution of wealth became significantly more skewed after the 2008 crash. In particular, the top 1% share of net personal wealth in Iceland rose from 22% in 2004 to 28% in 2008 and then fell again to 23% during 2015–2021. The huge amount of hidden household financial wealth in tax havens, equivalent to 10% of world GDP in 2008 according to Zucman (2015), casts doubt on official estimates of income and wealth inequality.

Social transfers from the government to households rose from 1% of GDP in 2008, the year of the financial crash, to 1.6% of GDP in 2011 (Statistics Iceland). Thereafter, social transfers to households were cut in stages to 0.7% of GDP during 2017–2019. In 2020, social transfers to households increased again to 0.9% of GDP, as part of the government's countermeasures against the fallout from the COVID-19 pandemic, and then reduced again to 0.8% of GDP in 2021 and 0.7% of GDP in the government budget for 2022, presented in autumn 2021.

After the 2008 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 after the economic crisis were reasonably successful. For some households, however, the economic situation remains difficult but is gradually improving. In the past, young Icelanders could take housing for granted. However, house prices and rents have become unaffordable for many because residential construction in the Reykjavík area has not kept up with demand and the tremendous influx of tourists has led to a substantial increase in rents as well as to the conversion of family dwellings to rental units for tourists. An ongoing effort by the city authorities in Reykjavík to build more housing is intended to remedy this situation by lowering house prices and rent costs over the coming years. Even so, rising interest rates are bound to increase housing costs in 2022 and beyond, which comes on top of rapid increases in real estate prices attributed to a lack of new residential housing being constructed and a housing bubble.

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Health

Health Policy
Score: 6

While the healthcare system in Iceland is efficient and of a high quality, there is considerable variation across regions. For example, healthcare services in Reykjavík and its surroundings as well as the northern city of Akureyri are much better than in more peripheral areas where patients have to travel long distances to access specialized services. After the 2008 economic collapse, substantial cutbacks for a number of regional hospitals were introduced, and various departments and centralized specialized care facilities were closed. In addition, smaller regional hospitals and healthcare centers have consistently faced serious problems in recruiting doctors.

The University Hospital in Reykjavík (Landspítalinn Háskólasjúkrahús), by far the largest hospital in Iceland, has for several years been in a difficult financial situation. There is limited political support for easing the situation by allowing the hospital to independently raise funds through, for example,

patient service fees similar to those charged by private clinics. The resulting shortage of nursing and other medical staff increased the work pressures on existing staff, including their hours of work. Despite these difficulties, 79% of Gallup respondents expressed trust in the healthcare system in early 2021, almost one year into the pandemic.

The healthcare system is a top priority for the general public. In 2016, a third of the electorate signed a record-breaking petition challenging the government to devote 11% of GDP to healthcare provision, up from 8% of GDP. The government responded by increasing public healthcare expenditure to 10% of GDP. A considerable amount of money has also been granted to renovating old buildings around Reykjavík University Hospital over the last decade, an ongoing project.

Opinions remain sharply divided among political parties as to whether partial privatization of hospital services would be desirable.

Life expectancy in 2019 was 83 years, the 18th highest in the world, up from 73 years in 1960 when life expectancy in Iceland was second only to that of Norway (World Bank, 2021). Even so, life expectancy in 2019 was about three to four months less than in 2012, a seven-year stagnation that has not been recorded previously in Iceland. Twice before, a four-year stagnation had followed an adverse economic shock: in 1967 – 1971, following the collapse of herring fishing; and, in 1984 – 1988, following a government clampdown on double-digit inflation with the restoration of positive real interest rates through the introduction of financial indexation.

As in education policy, equity issues concerning access to and provision of healthcare are mostly related to regional differences. Stiff political opposition to increased private enterprise in healthcare provision – opposition to the partial Americanization of Iceland’s essentially European model of healthcare – stems mostly from concerns about equal access. Even so, the share of private clinics in healthcare provision continues to rise.

Citation:
World Bank (2021), World Development Indicators.
<https://data.worldbank.org/indicator/SP.DYN.LE00.IN?view=chart>.
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Families

Family Policy
Score: 10

Family policy has long supported women's work outside the home. As a result, Iceland's rate of female participation in the labor force, at 75% in 2020, has long been among the highest in the world. For comparison, the average labor force participation rate for women in the OECD region as well as in the European Union in 2020 was 51%. For further comparison, Iceland's rate of male participation in the labor force was 83% in 2020 compared with 68% in the OECD region on average and 63% in the European Union. Accordingly, the male-female differential is smaller in Iceland than in most other countries. Family policy has also encouraged a more equitable distribution of the burden of child rearing between genders. Parental leave and kindergartens contribute to this situation. Parental leave is 12 months for a child, six months per parent of which six weeks are transferable. Most children are offered places at kindergartens, which are professionally run by the municipalities.

Citation:

Gender Equality in Iceland 2017. The Center for Gender Equality (Jafnréttisstofa).

Hreinsdóttir, A. M. (2019). Styrkleikar leikskólastigsins á Íslandi: Vangaveltur um skýrslu Eurydice fyrir árið 2019. <https://skolathraedir.is/2019/09/10/styrkleikar-leikskolastigsins-a-islandi-vangaveltur-um-skyrslu-eurydice-fyrir-arid-2019/>.

World Bank, World Development Report (2022), <https://data.worldbank.org/indicator/SL.TLF.CACT.FE.NE.ZS>. Accessed 1 February 2022.

<https://vinnumalastofnun.is/faedingarorlofssjodur/starfsmadur/rettur-til-faedingarorlofs>

Pensions

Pension Policy
Score: 7

Iceland's pension system is a fully funded one rather than pay-as-you-go. 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. There is a large number of pension funds, currently 27, down from 50 in 1997. Pension funds' average annual returns on investments range from 1.2% to 6.2% in real terms (i.e., adjusted for inflation). Under the period of post-crash capital controls 2009 – 2017, pension funds, which before the 2008 crash had gradually increased their foreign holdings, were confined to domestic placements.

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 others, equities in Iceland's banks depreciated substantially following the collapse of the banking system 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 pensioners. The pension funds have recovered since 2008 and once more have an overall assets-to-GDP ratio that is among the highest in the OECD region. In 2020, total assets in retirement savings plans in Iceland amounted to 207% of GDP, up from 125% in 2010. At 52% of pre-retirement earnings, in 2020, the gross pension replacement rate for men in Iceland was equal to the OECD average.

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 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 claim access to the funds to support its aims in a time of need.

In 2017, two major changes were made to the system. In March 2017, as part of the relaxation of capital controls, the central bank swept away restrictions on pension funds' investments in foreign markets, which had been imposed following the 2008 financial collapse. The 2016 – 2017 government reached an agreement with the trade unions of state employees on their pension rights. The rights of those employees in the A-section of the Pension Fund of State Employees were changed from equal to age-related. At the same time, the state pension age was increased from 65 to 67 years.

Citation:

Ísleifsson, Ólafur (2012), "Vulnerability of pension fund balances," *Stjórnmal og stjórnsýsla*, Vol. 8, No 2., 543-564.

Lifeyrismal.is Upplýsingavefur um lífeyrismál. <https://www.lifeyrismal.is/is/frettir/breytingar-a-lifeyrissjodakerfi-opinberra-starfsmanna-taka-gildi-i-dag>. Accessed 22 December 2018.

OECD Data: Gross pension replacement rates (2020), <https://data.oecd.org/pension/gross-pension-replacement-rates.htm#indicator-chart>. Accessed 2 February 2022.

OECD: Global Pension Statistics (2022), <https://www.oecd.org/finance/private-pensions/globalpensionstatistics.htm>. Accessed 2 February 2022.

Integration

Integration Policy
Score: 7

Civil rights legislation for immigrants follows 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 to Iceland. 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 national's 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) reaches out 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.

The number of immigrants in Iceland reached 15% of the total population in 2020, up from 8% in 2012. By November 2021, the Directorate of Immigration had accepted fewer than 600 applications for asylum for 2021, about a quarter of the applications received.

In 2020, the University of Akureyri published the results of a big research project on the inclusion of immigrants in Iceland. The project presented evidence that the integration of immigrants into Icelandic society had improved. While the situation remains imperfect, the results were better than expected overall (see Gunnþórsdóttir et al. 2020; and Guðmundsson and Eythórssson 2020).

Citation:

Guðmundsson B. and Eythórssson G. T. (2020). Félagsleg og pólitísk þátttaka innflytjenda á Íslandi. in: Meckl M. and Gunnþórsdóttir H. (2020): Samfélaga Fjölbreytileikans. Samskipti heimamanna og innflytjenda á Íslandi. Háskólinn á Akureyri 2020.

Gunnþórsdóttir H., Ragnarsdóttir H., Aradóttir L. R. and Viðarsdóttir K. N. (2020). Viðbrögð sveitarfélaga á Íslandi við vaxandi fjölda nemenda af erlendum uppruna. in: Meckl M. and Gunnþórsdóttir H. (2020): Samfélaga Fjölbreytileikans. Samskipti heimamanna og innflytjenda á Íslandi. Háskólinn á Akureyri 2020.

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

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Safe Living

Internal Security
Policy
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 government in office before and during the 2008 crash 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 the protests against a parliamentary decision to enroll Iceland in NATO in 1949. The main policing priority has been Iceland's internal security. The police force has for a long time suffered from a manpower shortage, exacerbated by low pay. Even so, in 2021, 72% of Gallup respondents expressed confidence in the police.

Drug smuggling and drug use have 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, especially on weekends. Organized foreign gangs are considered responsible for the repeated waves of burglaries.

In recent years, Iceland has seen about one murder per year per 100,000 inhabitants, a similar rate as in the European Union on average, and better than the four to five murders per 100,000 inhabitants in the OECD region (although the OECD region includes the United States with nearly six murders per 100,000 inhabitants per year). Iceland's prison population, at 29 per 100,000 inhabitants, is the lowest in the OECD region, lower even than Japan with 37 per 100,000 inhabitants.

Interview with criminologist Helgi Gunnlaugsson in visir.is 6th January 2018. <https://www.visir.is/g/2018180109266>.

WHO (2022), Estimates of Homicides, <https://www.who.int/data/gho/data/indicators/indicator-details/GHO/estimates-of-rates-of-homicides-per-100-000-population>.

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Gallup (2022), Traust til stofnana (Trust in Institutions), <https://www.gallup.is/nidurstodur/thjodarpuls/traust-til-stofnana/>. Accessed 2 February 2022.

Global Social
Policy
Score: 5

Global Inequalities

Iceland joined the United Nations in 1946.

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. IIDA has reduced the number of countries in which it ran projects (bilateral cooperation) from six to three: Malawi, Mozambique, and Uganda. Further, the IIDA is involved in a regional project on geothermal power in East-Africa. In late 2015, the IIDA was incorporated into the Ministry of Foreign Affairs.

Among the earlier six recipient countries was Namibia, where Icelandic experts provided valuable help with the development of the Namibian fishing sector until 2010. In 2019, Wikileaks revelations indicated that Samherji, Iceland's largest fishing firm, paid huge bribes to Namibian ministers, among others, to secure fishing quotas. The scandal led to the immediate arrest of two Namibian ministers and four other Namibian individuals who have since been held in custody. At the time of writing, the case is still under investigation.

In 2020, Iceland's contribution to development aid amounted to 0.2% of GDP (Statistics Iceland), unchanged from 2008 and thus still well below the UN target of 0.7%. The government set a goal of 0.35% of GDP for 2022, but budgeted 0.3%. In 2013, parliament resolved to meet the UN target, but has so far failed to implement this resolution.

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.

Citation:
Ministry of Foreign Affairs, Development Cooperation (Þróunarsamvinna).
<https://www.stjornarradid.is/verkefni/utanrikismal/throunarsamvinna/>. Accessed 22 December 2018.

OECD iLibrary (2022), https://www.oecd-ilibrary.org/sites/fd3d1d29-en/index.html?itemId=%2fcontent%2fcomponent%2f5e331623-en&_csp_=b14d4f60505d057b456dd1730d8fcea3&itemIGO=oecd&itemContentType=chapter. Accessed 12 January 2022.

Statistics Iceland (2022), https://px.hagstofa.is/pxis/pxweb/is/Efnahagur/Efnahagur_fjaropinber_fjarmal_rikissjods/THJ05242.px/table/tableViewLayout1/?rxid=be4adaab-bbd7-427b-b16d-f1c4a088b4a1. Accessed 2 February 2022.

III. Environmental Policies

Environment

Environmental
Policy
Score: 7

Historically, environmental policy has not been a high priority on Iceland's political agenda. The Ministry for the Environment and Natural Resources was established, comparatively late, in 1990. The ministry was a single-issue ministry for the environment until 2013 when it was merged with the former Ministry for Fisheries and Agricultural Affairs. Then, a new minister for environment and natural resources was appointed in 2014, and environment was separated from agriculture and fisheries. In early 2022, in yet another organizational overhaul and increase in the number of ministries, the new Ministry of the Environment, Energy and Climate was created.

Iceland is rich in onshore energy and freshwater 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 April 2019, the government resolved to reduce its carbon footprint by instructing public employees to:

1. Reduce both domestic and international air travel, and use digital technology instead;
2. Use the most environment-friendly option possible to get to and from work;
3. Use electric rental cars where possible.

In September 2018, the government announced a new climate strategy, intended to boost efforts to cut net greenhouse gas emissions. The new measures aim to help Iceland meet its Paris Agreement targets for 2030 and reach the government's ambitious goal to make Iceland carbon neutral before 2040. The main emphasis of the new plan is on phasing out fossil fuels in transport and increasing carbon sequestration through afforestation, revegetation, and restoration of wetlands. Climate mitigation measures are envisaged to receive a substantial increase in funding, almost ISK 7 billion, between 2019 and 2023. A general carbon tax, already in place, will be gradually increased.

The Agreement on the Platform for the Coalition Government of the Independence Party, the Left-Green Movement and the Progressive Party in November 2021 emphasizes environmental issues. Stating that “Iceland should be at the forefront of international environmental action,” it says that “an independent national target of a 55% reduction in emissions for which Iceland is directly responsible by 2030, compared to 2005 levels. Emphasis will be placed on targeted and ambitious measures to reduce emissions from land use and accelerate energy conversion in all areas. The goal is to achieve carbon neutrality and full energy conversion no later than 2040, which will make Iceland the first state to be independent of fossil fuels.” These words signal ambitious intentions in environmental affairs.

A privately run environmental initiative is The Wetlands Fund (Votlendissjóður), a private equity fund operated by socially responsible companies and individuals. The fund aims to reduce greenhouse gas emissions through wetland restoration in collaboration with landowners, the state, municipalities, companies, NGOs and individuals. Research shows that drained wetlands are responsible for about 60% of CO₂ emissions in Iceland. This proportion does not include international flights over Iceland, but all other transport and industry are included. Wetland restoration is an effective measure against climate change.

Not much is known about the possible environmental effects of the rapid expansion of foreign tourism. Prior to the collapse of tourism due to the COVID-19 pandemic, which struck in 2020, the number of tourists arriving in Iceland each year had increased to seven times Iceland’s population.

Citation:

Agreement on the Platform for the Coalition Government of the Independence Party, the Left Green Movement, and the Progressive Party. November 2021.

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

Votlendissjóður. <https://www.votlendi.is/hlutverk>.

Vernd og orkunýting landsvæða (rammaáætlun) 89. mál þingsályktunartil laga Þál. 13/141 141. löggjafarþingi 2012 – 2013.

Government Offices of Iceland: <https://www.government.is/news/article/2018/09/10/Iceland-launches-new-Climate-Strategy-boosting-efforts-to-reach-Paris-goals/>. Accessed 22 December 2018.

Global Environmental Protection

The new Ministry of the Environment, Energy and Climate is responsible for the country’s involvement in international environmental affairs. Iceland participates in the United Nations Environment Programme and is active under

the Rio Declaration and Agenda 21 in areas of sustainable development. Iceland is also one of the eight member states of 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 EU member states as well as the United States, Australia, Brazil, Israel, Mexico, and New Zealand formally protested the continued practice of whaling in Iceland. The government of Iceland has not yet reacted to this protest and whaling continues, even though it is increasingly difficult to find markets for whale meat. Whale watching is popular among tourists.

Iceland is still engaged in a dispute with the European Union over quotas for mackerel fishing. In 2014, an agreement was reached between the European Union, Norway, and the Faroe Islands. However, the agreement did not include Iceland. Mackerel migrates in huge numbers from international to Icelandic waters and Iceland has been accused of overfishing mackerel. No agreement had been reached with these counterparties by early 2022.

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. New measures included in a new climate strategy (September 2018) are meant to help Iceland meet its Paris Agreement targets for 2030 and reach the government's ambitious goal to make Iceland carbon neutral before 2040.

Citation:

Fiskistofa (2022), Staða makrílveiða (The state of mackerel fishing), <http://www.fiskistofa.is/veidar/aflastada/afliiimakril/>. Accessed 2 February 2022.

Robust 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 get so-called leveling seats (jöfnunarpingsæti) in parliament was set in 2000. In addition to this 5% threshold, parties can win a seat by securing a seat in a constituency. This minimum threshold is the same as in Germany, but higher than in the other Nordic countries (Sweden and Norway 4%, Denmark 2%).

A consequence of this system is that many votes fail to directly influence the results. As many as 12% of the votes in 2013 won no parliamentary representation, as they went to parties that failed to win a constituency seat or polled less than 5% of the national vote. This was the largest share of unrepresented votes in Iceland's modern history due to a record 15 parties running for parliament in 2013. In the 2016 elections, parties that did not reach the 5% threshold received a combined 5.7% of the total vote and 4.7% in the 2021 elections.

Citation:

Bengtsson, Å., Hansen, K. M., Harðarson, Ó. T., Narud, H. M. and Oscarsson, H. (2014), *The Nordic Voter. Myths of exceptionalism*. Essex. ECPR Press.

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

Media Access
Score: 6

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. During the 2017 election campaign, two small parties complained about not

being allowed to participate in the traditional party leader debate on state-run TV the night before the election. The parties were told they would not be included in the debate because they were unlikely to secure the 5% of votes necessary to win representation and they were not fielding candidates in every constituency.

The established political parties have granted themselves significant budget support in recent years, filling their coffers and thus tilting the playing field in their favor against their opponents.

Voting and
Registration
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: 5

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 preceding 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 which attained at least 5% of the vote in the last municipal election. The law also regulates private contributions to political activity. For example, parties are not allowed to accept more than ISK 400,000 (€2,900) from any private actor, company, or individual.

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

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. Moreover, there is legal limit on electoral spending. Since 2009, regulation of party finances has been under review, but no final agreement has been reached.

The law on party financing was originally drafted by a committee comprising party representatives, including the chief financial officers of the main political parties. This followed the disclosure by the National Audit Office that, among other things, fishing firms gave 10 times as much money to the Independence Party and the Progressive Party between 2008 and 2011 as to all

other parties combined. The Independence Party and the Progressive Party have been and remain particularly generous toward the fishing industry. Similarly, the Special Investigation Committee disclosed that huge loans and contributions were provided by the Icelandic banks to political parties and politicians between 2006 and 2008, on a per capita scale significantly greater than in the United States.

In 2021, eight political parties with seats in the parliament received state contributions totaling ISK 728 million (around €5 million). The amount per party is related to the number of seats.

Citation:

Framlög til stjórnmalaflokka. <https://www.stjornarradid.is/verkefni/kosningar/framlog-til-stjornmalaflokka/>. Accessed 3 February 2022.

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

Lög um breytingu á lögum nr. 162/2006, um fjármál stjórnmalasamtaka og frambjóðenda og um upplýsingaskyldu þeirra nr. 119 21. september 2010.

Kristinsson, G. H. (2007), Íslenska stjórnmálakerfið. 2. útgáfa. Reykjavík, Háskóli Íslands. (The Icelandic political system, 2nd ed.)

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/>. Accessed 7 February 2022.

Popular Decision-Making
Score: 5

Since 1944, the constitutional provision granting the president of Iceland the right to veto legislation has been invoked three times and has twice led to a national referendum.

In 2012, an advisory national referendum on a new constitution was called by parliament. In the referendum, 73% voted in favor of a provision enabling 10% of the electorate to demand a national referendum. This reform would mean that referring legislation passed by parliament to a national referendum would no longer remain the prerogative of the president alone. However, parliament has yet to ratify the constitution bill or use it as a basis for a new one, even though 67% voted in favor of the bill. Proposals for further referendums (e.g., on EU membership negotiations) ring hollow when parliament has yet to respect the outcome of the constitutional referendum of 2012. In 2018, the right-center-left cabinet of Jakobsdóttir – claiming that the authority for changing the constitution rests with the parliament, not the people – announced a three-year process for reviewing limited aspects of the constitution, but nothing happened.

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) stipulating 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, significant steps have been taken to improve the opportunity for citizen impact between elections.

Citation:

Carrillo, David A. (ed.) (2018), *The Icelandic Federalist Papers*, Berkeley Public Policy Press 2018.

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The Constitutional Council. <http://stjornlagarad.is/english/>. Accessed 3 February 2018.

Eythórsson, Grétar Thór & Arnarson, Sveinn (2012), *Íslensk sveitarstjórnarmál í brennidepli. Staða sveitarstjórnarstigsins, verkefni, skipan, íbúalýðræði og áhrif efnahagshrunsins*. Akureyri. Háskólinn á Akureyri.

Sveitarstjórnarlög nr. 138 28. september 2011.

Access to Information

Media Freedom
Score: 7

Until privatization in 1986, the state had a monopoly over radio and TV broadcasting. Private stations now play a significant role in the media market.

Some politicians in government have repeatedly accused state-run radio and TV (RÚV) of bias against the government in their news reporting, partly because RÚV played an important role in exposing political scandals. 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.

There has been a recent exodus of competent news reporters from Iceland's state-run TV station (RÚV), an apparent consequence of their exposure of wrongdoing by Iceland's largest fishing firm, Samherji, in Namibia and elsewhere.

In early 2022, the editorial office of a news magazine (Mannlíf) was burglarized in an attempt to eliminate certain sensitive material from its computer system, the first such recorded incident in Iceland.

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.

Media Pluralism
Score: 6

Media ownership in Iceland can be divided into three blocks, two private ones and one public.

There is one state-owned TV station (RÚV – Sjónvarp) and two state-owned radio channels (RÚV – Rás1 and RÚV – Rás2). There are also four private national TV channels (Stöð2, Sjónvarp Símans, Hringbraut, and N4) and two national private radio channels, separately owned. Until March 2017, the private 365 Media Corporation (365 Miðlar) owned a TV station (Stöð 2), Bylgjan radio station, and Fréttablaðið, the larger of the country's two daily newspapers. 365 Media Corporation was the largest media actor in Iceland, and had clear connections to a business magnate and former bank owner, who sold his media holdings to another magnate in 2019.

Owners of private media sometimes try to exercise influence over news coverage. Iceland's second largest daily newspaper is partly owned by fishing magnates, and fights against fisheries policy reforms as well as Iceland's application for EU membership.

Morgunblaðið, the second largest newspaper, has long been considered the voice of the Independence Party and is owned primarily by several fishing vessel owners. Since 2009, its chief editor has been the former prime minister and Independence Party leader. Other newspapers include DV, Stundin, and Kjarninn.

Given the somewhat broader ownership of TV and radio media combined with several smaller TV broadcasters, radio stations and newspapers, media ownership in Iceland can be considered fairly pluralistic.

Access to
Government
Information
Score: 5

The 1997 Information Act (Upplýsingalög), revised in 2012, aims to guarantee the right of access 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.

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 committee (úrskurðarnefnd um upplýsingamál) tasked with enforcing the information act.

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 remains 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. There have been several other recent scandals involving information withheld from the public. One such led to the collapse of the government in 2017. Another example is that of the opposition member of parliament who, for the last two years, has tried in vain to obtain an answer from the government to the question of who bought a large number of apartments from which the House Financing Fund had evicted the former owners between 2009 and 2019.

During 2018, an opposition member of parliament from the Pirate Party managed to compel the parliament to disclose information regarding parliament's reimbursement of members of parliament's expense claims (e.g., travel costs). Parliament's failure to ratify the constitution bill, approved in a 2012 national referendum, should be viewed in light of the bill's provisions on transparency, freedom of information and protections for whistleblowers, reforms that many politicians continue to resist.

The government routinely offers petty excuses, sometimes involving national security, in its attempts to keep inconvenient truths from the public and avoid embarrassment, but such attempts are sometimes overturned by the information committee.

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

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

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

Civil Rights and Political Liberties

Civil Rights
Score: 6

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 exceptions to this rule. Most importantly, in 2007, the United Nations Committee on Human Rights (UNCHR) issued a de facto (if not de jure) binding opinion stating that, because of its discriminatory nature, the management system of Iceland's fisheries constituted a violation of human rights. Furthermore, the UNCHR 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 not ratified the new constitution, which was accepted as the basis for a new constitution by 67% of the voters in a national referendum called by parliament in 2012. No progress has been made since then.

The European Court of Human Rights (ECHR) has heard several petitions by Icelandic citizens recently that their civil rights have been violated. In almost all cases, the ECHR has ruled in favor of the petitioners, casting doubt on the ability of Icelandic courts to protect civil rights effectively. Following a number of similar ECHR rulings in recent years, Icelandic courts have demonstrated an increased tendency to acquit defendants in politically motivated libel cases. In December 2020, the European Court of Human Rights (ECHR) confirmed its ruling that Iceland violated Article 6 of the European Convention on Human Rights, which is meant to ensure a person's right to a fair trial, in the appointment of judges to the Court of Appeal. The minister of justice's appointment of four judges to the court breached the procedure established by Icelandic law. The minister failed to give sufficient reasoning for appointing different judges from those that had been selected by a selection committee and resigned from office.

The 2021 parliamentary election led to numerous citizen complaints to parliament. The police levied fines against five members of the electoral board in one of the six constituencies for dereliction of their duties. These fines are yet to be paid, which may result in indictments against the board members. A number of complaints concerning alleged irregularities surrounding the election as well as the vote count were presented to local police as well as to

the OSCE, which did not send representatives to observe the election. For the first time in Iceland's history, disappointed parliamentary candidates have appealed the legitimacy of the election results to the ECHR, claiming that the vote tallying broke the law.

Citation:

<https://www.icelandreview.com/politics/minister-of-justices-court-appointments-were-illegal-ruling-upheld-by-echr/>

Gylfason, Thorvaldur (2016), "Constitution on Ice," in *Iceland's Financial Crisis: The Politics of Blame, Protest, and Reconstruction*, eds. Valur Ingimundarson, Philippe Urfalino, and Irma Erlingsdóttir, Routledge, London.

Gylfason, Thorvaldur (2018), "Chain of legitimacy: Constitution making in Iceland," in Elster, J., R. Gargarella, V. Naresh, and B. E. Rasch (eds.), *Constituent Assemblies*. Cambridge University Press, New York, 2018.

Iceland Review (2021), *Election Supervisors Fined as Investigation Continues*, <https://www.icelandreview.com/politics/election-supervisors-fined-as-investigation-continues/>, 20 October. Accessed 3 February 2022.

Althingi (2021), *Erindi og skjöl undirbúningsnefndar fyrir rannsókn kjörbréfa*, <https://www.althingi.is/thingnefndir/adrar-nefndir/undirbuningsnefnd-fyrir-rannsokn-kjorbrefa/erindi-til-nefndarinnar/>. Accessed 3 February 2022.

Political Liberties
Score: 8

The 1944 constitution contains provisions protecting the freedom of the press as well as freedoms of organization and assembly. In the 2017 parliamentary election campaign, five parties declared support for ratifying the constitutional bill proposed by the Constitutional Council in 2011, namely the Social Democrats, the Pirate Party, the Left-Green Movement, Regeneration and Bright Future. The strongest opponent of the constitutional change has been the Independence Party, which – together with the Progressive Party, another party that is reluctant to accept the change – is part of the current cabinet coalition led by the Left-Green Movement. The continued failure of this coalition to ratify the new constitution with its many provisions promoting human rights seems assured.

The failure of parliament, despite four intervening parliamentary elections, to ratify the new constitution approved by 67% of voters in a 2012 national referendum called by parliament can be seen as an affront to political liberties. This is because the new constitution contains several provisions specifically designed to promote human rights, including the non-discriminatory allocation of fishing rights and electoral reform, two of the most contested political issues in Iceland since the 1970s and the 1850s, respectively.

Freedom House demoted Iceland from a freedom score of 100 in 2014 to 94 in 2020 and 2021, scoring Iceland 37 out of 40 for political rights and 57 out of 60 for civil liberties for a total of 94 out of 100.

Non-
discrimination
Score: 6

Citation:

David A. Carrillo (ed.) (2018), *The Icelandic Federalist Papers*, Ch. 20, Right to Information and Freedom of Expression, Berkeley Public Policy Press.

Freedom House (2022), Iceland, <https://freedomhouse.org/country/iceland>. Accessed 3 February 2022.

The New Icelandic Constitution: How Did It Come About? Where Is It?, with a foreword by Vigdís Finnbogadóttir and introduction by Thorvaldur Gylfason, Iðunn, Reykjavík, 2018.

Iceland's constitution states that every person shall enjoy equal human rights regardless of gender, religion, opinion, national origin, race, color, property, birth, or other respect. 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 work and pay is illegal. 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 UNHRC, which ruled in 2007 that the management system of Iceland's fisheries was discriminatory, signals a less-than-full commitment to non-discrimination.

The UN Convention on the Rights of Persons with Disabilities was signed on behalf of the Icelandic government in March 2007. It was not until September 2016 that the Icelandic parliament, Althingi, passed a resolution to enable the government to ratify the convention. At the time of writing in late 2021, this remains to be done.

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.

Þingsályktun um fullgildingu sammings Sameinuðu þjóðanna um réttindi fatlaðs fólks. <http://www.althingi.is/altext/145/s/1693.html>. Accessed 22 December 2018.

Rule of Law

Legal Certainty
Score: 7

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 concerned journalists' freedom of speech.

Alleged violations of the law by public officials are less likely to be prosecuted than allegations involving private individuals. Several recent cases involve the decisions of central bank officials during and after the 2008 financial collapse, which were not investigated or prosecuted at the time.

In late 2019, Iceland's largest fishing firm, Samherji, was accused of paying huge bribes to Namibian ministers and others in order to secure fishing rights in Namibian waters. This was exposed by Wikileaks. This revelation led to the immediate arrest of two ministers and four other individuals in Namibia. In contrast, the reaction of political and judicial authorities in Iceland to this scandal has been more muted than in Namibia. The case remains under investigation and the defendants are still held in police custody in Namibia, where the state prosecutor – having without success asked the Icelandic government to extradite three senior Samherji managers in order for them to be interrogated – has asked Interpol to intervene.

Citation:

European Court of Justice Verdict Against Iceland (Dómur MDE í máli Erlu Hlynisdóttur gegn Íslandi), <https://www.innanrikisraduneyti.is/raduneyti/starfssvid/mannrettindi/mannrettindadomstoll-evropu/nr/29388>. Accessed 22 December 2018.

Sigmundsdóttir, Alda (2019), "Of political corruption and misdeeds in Iceland and Namibia," <https://aldasigmunds.com/of-political-corruption-and-misdeeds-in-iceland-and-namibia/>. Accessed 3 February 2022.

Judicial Review
Score: 6

Iceland's courts are not generally subject to pressure from either the government or powerful groups and individuals. The jurisdiction of the Supreme Court to rule on whether the government and public administration

have conformed to the law is beyond question. According to opinion polls, public 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, remained around 40% in 2014 and 2015, and climbed to 43% in 2017. Having then fallen to 36% in 2018, the rate peaked in 2019 when Gallup reported it to be 47%. It remained near that level in 2021 at 46%.

Many observers consider the courts biased, as almost all judges attended the same law school and few have attended universities abroad. Two political parties, the Independence Party and the Progressive Party, have maintained control over the Ministry of Justice for 85 out of the 94 years between 1927 and 2021.

In 2017, a sitting Supreme Court justice sued a former justice for libel in a case that awaits a verdict by the Supreme Court. The plaintiff, then chief justice, lost his case at the Supreme Court in 2021. Then, in 2019, the former justice sued another sitting justice over a private land dispute, a case that is still pending. Disputes among justices do not inspire confidence and trust, least of all when they trade accusations of illegal behavior.

Gallup (2022), Traust til stofnana (Trust in Institutions), <https://www.gallup.is/nidurstodur/thjodarpuls/traust-til-stofnana/>. Accessed 3 February 2022.

Gunnlaugsson, Jón Steinar, *Með lognið í fangið – um afgang Hæstaréttar eftir hrun* (With the Stream – On the Blunders of the Supreme Court After the Crash), BP útgáfa, Reykjavík, 2017.

Appointment of
Justices
Score: 3

To date, all Supreme Court and district court judges have been appointed by the ministers of justice or the interior, without any involvement from or oversight by parliament or any other public agency. However, in recent years, 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 has been appointed case by case 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 was meant 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.

In 2009, the European Union 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. 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. He has since directed further attacks at his former colleagues for violating rules regarding conflict of interest, among other things. In one instance, the prime minister whose responsibility it was to appoint a new Supreme Court justice (because the minister of justice was embroiled in a legal battle concerning an earlier judicial appointment) received a letter of recommendation for one of the applicants from a large group of lawyers, a letter that could be traced to the successful applicant's own personal computer. Among current Supreme Court justices, three are full professors of law at the University of Iceland and one is an associate professor.

In 2017, the minister of justice appointed 15 new judges to a new intermediary court between the district court level and the Supreme Court, including four judges deemed less qualified than other available applicants according to the review committee's assessment of the applications. Two of the disappointed applicants sued and were awarded damages by the Supreme Court. The Supreme Court ruled that the minister of justice broke the law when she bypassed the recommendations of the review committee. In 2019, the European Court of Human Rights ruled that the Icelandic state was guilty of breaking the law when 15 judges were appointed to the Landsréttur (a new intermediary court). The minister resigned.

For all but 10 years between 1927 and 2021, control of the Ministry of Justice and the authority to appoint judges alternated between the Independence Party and the Progressive Party.

Citation:

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

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

GRECO (2022), Reports on Iceland, <https://www.coe.int/en/web/greco/home>. Accessed 7 February 2022.

Fréttablaðið (2021), *Klof-inn Hæst-i-rétt-ur dæmd-i Jóni Stein-ar-i í vil* (Divided Supreme Court rules in Jón Steinar's favor, 5 February, <https://www.frettabladid.is/frettir/klofinn-haestirettur-daemdi-joni-steinari-i-vil/>).

Accessed 3 February 2022.

“Letter of support composed in the office of Jón Steinar” (Stuðningsbréf samið á skrifstofu Jóns Steinars), DV 25 September 2004, <https://timarit.is/files/51173190>. Accessed 4 February 2022.

Corruption
Prevention
Score: 4

Rightly or wrongly, 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 type of 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, including judges, a form of in-kind corruption, even nepotism, remains a serious concern. Other, subtle forms of in-kind corruption, which are hard to quantify, also exist. Erlingsson and Kristinsson (2016) write that “corruption is rare but still clearly discernible. Less serious types of corruption, such as favoritism in public appointments and failure to disclose information, are more common than more serious forms, such as extortion, bribes and embezzlement. Nonetheless, it should be noted that a sizable minority of experts still believe corruption is common, especially in the case of favoritism and fraud.”

The collapse of the Icelandic banks in 2008 and the subsequent investigation by the Special Investigation Committee (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. Two of the 10 members of parliament in question still sit in parliament and the cabinet, and one is the finance minister, without having divulged whether or how they settled their debts. Write-offs of bank debt are not made public in Iceland. GRECO has repeatedly highlighted the need for Icelandic members of parliament 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 2021, which measures business corruption, Iceland scored 74 out of 100, where a score of 100 means no corruption. Iceland's rank has fallen to 13 out of 180 countries, leaving the country well behind the other Nordic countries with scores between 85 and 88. 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. A 2018 poll from the Social Science Research Institute at the University of Iceland shows that 65% of respondents view many or nearly all Icelandic politicians as corrupt.

New information, including emails leaked from one of the failed banks, about corruption surrounding the crash of 2008 and involving a prime minister, came to light in 2017. This information led to a gag order being imposed on the newspaper Stundin shortly before the 2017 election, an order that was lifted in late 2018, long after the election.

Citation:

Erlingsson, Gissur Ó., and Kristinsson, Gunnar H (2016), "Measuring corruption: whose perceptions should we rely on? Evidence from Iceland," *Icelandic Review of Politics and Administration*, Vol. 12, Issue 2, 215-236. <http://www.irpa.is/article/view/a.2016.12.2.2/pdf>. Accessed 3 February 2022.

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

Hagsmunaskrá Alþingismanna (Financial disclosures of members of parliament), <https://www.althingi.is/altext/cv/is/hagsmunaskra/>. Accessed 3 February 2022.

Special Investigation Committee (SIC) (2010), Report of the Special Investigation Commission (SIC), report delivered to parliament 12 April, <https://www.rna.is/eldri-nefndir/addragandi-og-orsakir-falls-islensku-bankanna-2008/skyrsla-nefndarinnar/english/>. Accessed 3 February 2022.

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.)

Transparency International, <https://www.transparency.org/en/cpi/2021>. Accessed 3 February 2022.

Gallup (2013), Government Corruption Viewed as Pervasive Worldwide, <http://www.gallup.com/poll/165476/government-corruption-viewed-pervasive-worldwide.aspx>. Accessed 3 February 2022.

Good 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 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, <https://www.ma.is/eldri-nefndir/addragandi-og-orsakir-falls-islensku-bankanna-2-008/skyrsla-nefndarinnar/english/>. Accessed 3 February 2022.

Parliamentary resolution on a strategic regional plan for the period 2018 – 2024. <https://www.stjornarradid.is/lisalib/getfile.aspx?itemid=3b970dc2-f19a-11e8-942f-005056bc4d74> Accessed 17th October 2019. Accessed 3 February 2022.

Expert 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. These experts are quite often affiliated with the political party of the minister seeking their advice. Meanwhile, some independent experts without party affiliation have noticed that their views are ignored. Thus, impartial, non-governmental experts do not have 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 (SIC, Rannsóknarnefnd Alþingis), which investigated the causes of the economic collapse. A number of experts in various fields – including law, economics, banking, finance, media, psychology, philosophy, political science, and sociology – contributed to the SIC report. While no data exist on the broader use of expert advice in governmental decision-making, the SIC experience may have expanded the role of experts overall.

Foreign experts are occasionally called upon. In 2017, four teams of foreign economists were asked to evaluate Iceland's monetary policies and prospects.

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, public confidence in the University of Iceland dropped from 90% in early 2008 to below 80% after the 2008 economic collapse and has since remained around 75% in the Gallup polls (74% in 2018 and 2019, and 77% in 2021).

Citation:

Gallup, <https://www.gallup.is/nidurstodur/thjodarpuls/trausti-til-stofnana/>. Accessed 3 February 2022.

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 left-wing cabinet 2009 – 2013 merged a number of ministries, reducing the total number of ministries from 12 to eight. A primary justification was that some ministries lacked broad-based expertise and the merger would make this expertise more widely accessible, which has in some cases been achieved. The center-right 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 eight to 10. After the 2016 elections, another center-right cabinet coalition, comprising three parties, was established. This led to a further increase in ministerial posts from 10 to 11 – a symbol of politicians' disdain for the proposed constitutional change, which was approved by 67% of voters in 2012

and would cap the number of ministers at 10. The Ministry of the Interior was split in two, separating justice from communications and local government affairs. This remained the same under the right-center-left cabinet, which assumed office in late 2017 and remained in office following the September 2021 election. Once more, the number of the ministerial posts was increased, this time from 11 to 12, as part of a ministerial reorganization, with several ministries given new, longer names.

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 Committee report in 2010, a committee was formed to evaluate and suggest necessary steps toward the improvement of public administration. 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 stjórnáslunnar við skýrslu rannsóknarnefndar 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 was reduced from seven to three in 2016, but has since been increased to six.

Citation:

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

Cabinet committees (Ráðherranefndir), <https://www.stjornarradid.is/rikisstjorn/radherranefndir/> Accessed 23 December 2021.

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 where 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 policymaking. 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 Committee'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 been addressed in part. 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).

Digitalization for
Interministerial
Coordination
Score: 3

No digital technologies are used to support policy coordination across or within government ministries. In the Prime Minister's Office, there is the Office of Policy Matters (Skrifstofa stefnumála), which to some extent coordinates key issues between ministries. This office also coordinates national economic and monetary policy, manages labor market communications, and monitors cabinet policy, future developments and the

UN Sustainable Development Goals. The most recent institutions to be attached to this office are Iceland's central bank (Seðlabankinn) and Statistics Iceland (Hagstofa Íslands).

Things are moving toward increasing digitalization since the first policy on public digital services was published in 2021, which set out a framework for the projects that are being worked on. The policy includes goals for increasing competitiveness, improving public services, and developing safer infrastructure and a more modern work environment.

Citation:

Organization (Skipulag), <https://www.stjornarradid.is/raduneyti/forsaetisraduneytid/skipulag/>. Accessed 22 December 2018.

Samantekt um tæknilega innviði og rafræna þjónustu hins opinbera. <https://www.stjornarradid.is/efst-a-baugi/frettir/stok-frett/2021/09/03/Samantekt-um-eflingu-verkefna-i-upplysingataekni/>. Accessed 23 December 2021.

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 concerns impact assessment of cabinet bills. Every minister should evaluate the impact, including financial impact, of every bill their ministry intends to submit to the parliament. The impact assessment should be a part of the explanatory statement, submitted to parliament with the bill. The methodology of these impact assessments was approved by the cabinet of Bjarni Benediktsson in March 2017.

Unlike in most neighboring countries, no expert report on the economic and social fallout from the COVID-19 pandemic was commissioned by the government.

Citation:

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

SAMÞYKKT RÍKISSTJÓRNARINNAR um undirbúning og frágang stjórnarfrumvarpa og stjórnartillagna, sbr. 9. gr. reglna um starfshætti ríkisstjórnar. 10 mars 2017.

<https://www.stjornarradid.is/media/forsaetisraduneyti-media/media/frettir2/Samthykkt-rikisstjornar-um-stjornarskjol-10-mars-2017.pdf>. Accessed 22 December 2018.

Quality of RIA
Process
Score: 5

The regulations on cabinet procedures (Reglur um starfshætti ríkisstjórnar) from 2016, including paragraph 13 about impact assessments of cabinet bills, partly ensure participation. The methodology for these impact assessments was approved by the cabinet of Benediktsson in March 2017. Stakeholders, other

ministries, and the public shall be informed during the process, which is an important step toward increased transparency.

Citation:

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

SAMÞYKKT RÍKISSTJÓRNARINNAR um undirbúning og frágang stjórnarfrumvarpa og stjórnartillagna, sbr. 9. gr. reglna um starfshætti ríkisstjórnar. 10 mars 2017.

<https://www.stjornarradid.is/media/forsaetisraduneyti-media/media/frettir2/Samthykkt-rikisstjornar-um-stjornarskjol-10-mars-2017.pdf>. Accessed 22 December 2018.

Sustainability
Check
Score: 2

The latest revision of regulations on cabinet procedures, enacted in 2018, does not refer to sustainability checks as part of the impact assessment. However, financial impact is mentioned.

Citation:

Reglur um starfshætti ríkisstjórnar. Nr. 791/2018.

Quality of Ex
Post Evaluation
Score: 2

No regular ex post evaluations of the effectiveness or efficiency of public policies appear to be conducted by any government ministry. However, that does not mean that no such evaluations take place.

Societal Consultation

Public
Consultation
Score: 6

Iceland has a long tradition of formal and informal consultation between government and labor market associations. The 2008 economic collapse led to 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 convention in 2010 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 in late 2010 from a list of 522 candidates. The constituent assembly, later renamed the Constitutional Council, unanimously passed in mid-2011 a constitutional bill in close accord with the conclusions of the national assembly in 2010. However, parliament has not been willing to ratify the whole bill, even though the bill was supported by 67% of voters in a national referendum in October 2012. In the 2017 election campaign, five parties declared, to varying degrees, support for the new constitution, namely the Social Democrats, the Pirate Party, the Left-Green Movement, Regeneration, and Bright Future. The support for these parties totaled 46% of the votes and 28 out of 63 seats. The sole firm opponent of the new

constitution, the Independence Party, won 25% of the vote and 16 seats. Since December 2017, the Independence Party has been a member of the coalition cabinet, along with the Left-Green Movement and the Progressive Party. The right-center-left cabinet, which assumed office in 2017 and remained in power following the 2021 election, has paid only lip service to completing the constitutional reform process that was launched after the 2008 financial crash. This signals the coalition's clear, albeit unspoken commitment to the status quo and opposition to the express will of the people. As a rule, parliament invites interested parties and the public to comment on bills before parliament on its website. Thus, many voices are heard, but the extent to which they are listened to is still unknown.

Citation:

National referendum (Þjóðaratkvæði) (2012), <http://www.thjodaratkvaedi.is/2012/en/proposals.html>. Accessed 4 February 2022.

Euractiv.com, <https://www.euractiv.com/section/digital/news/icelanders-back-first-crowdsourced-constitution/>. Accessed 4 February 2022.

Gylfason, Thorvaldur (2016), "Constitution on ice," in Erlingsdóttir, Irma, Valur Ingimundarson, and Philippe Urfalino (eds.), *The Politics of the Icelandic Crisis*. Also available as CESifo Working Paper No. 5056, November 2014.

Policy Communication

Coherent
Communication
Score: 6

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 make decisions through consensus.

However, the 2009 – 2013 left-wing cabinet proved to be an exception to this tradition since three Left-Green Movement parliamentary members withdrew from the governing party coalition. 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 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 April 2016, events took a dramatic turn following the publication of the Panama Papers, which exposed Prime Minister Gunnlaugsson (Progressive Party) and Finance Minister Benediktsson (Independence Party), among others. Gunnlaugsson resigned in disgrace. Thousands of protesters took to the

streets in Reykjavík as in 2008, forcing the government to advance the upcoming parliamentary election from April 2017 to October 2016. These events constitute the clearest example of open conflict in an Icelandic cabinet in recent years.

Shortly thereafter, an alleged breach of trust led to the breakup of the Benediktsson cabinet (January – September 2017). After only eight months in power, the center-right three-party coalition collapsed when Bright Future, a junior partner, announced that they were ending their coalition with the Independence Party due to a serious breakdown of trust within the government in connection with the prime minister’s father’s recommendation letter of “restored honor” for a man convicted of pedophilia. Benediktsson, despite having been informed about this by the minister of justice, kept this matter to himself until a parliamentary committee compelled the ministry to release this information to the press. This affair reflects the pervasive culture of secrecy that permeates Icelandic politics.

The first Jakobsdóttir right-center-left cabinet (2017–2021) passed without any notable, public intragovernmental disputes. The second Jakobsdóttir right-center-left cabinet was dominated by the COVID-19 pandemic, but the three-party coalition managed to coordinate its responses and actions.

Implementation

Government
Effectiveness
Score: 6

As a rule, the strength of the executive branch vis-à-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 United Kingdom and the Netherlands (ICESAVE). In both cases, exercising his constitutional right of veto, the president refused to sign into effect the government’s legislative proposal, 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, fisheries management reform, and a deal on Iceland’s accession to the European Union 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, unprecedented filibustering.

The two center-right cabinets between 2013 and 2016, which both commanded a parliamentary majority of 38 to 25, had no problems in implementing their policy proposals, even though some ministerial initiatives were thwarted. The three-party coalition cabinet (January – September 2017) had a much smaller majority of 32 to 31. However, this small margin never led to any government bills being overturned during the coalition’s brief tenure. The 2017–2021 center-right-left coalition cabinet held a majority of seats (35 to 28 seats, which later became 33 to 30 seats) and had no problems of this kind – even though two Left-Green Movement members of parliament declared during the cabinet formation negotiations that they would not support the coalition. The coalition remained in office following the 2021 election, this time with a larger majority (38 to 25 seats) and there are no signs of intragovernmental dissension.

Ministerial
Compliance
Score: 9

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

Under the 2009 – 2013 cabinet, dissent among ministers occurred, but it had little to do with specific ministerial actions. Subsequent cabinets have experienced no such ministerial discord – except the aforementioned episode involving former Prime Minister Gunnlaugsson after the Panama Papers scandal in 2016.

During the COVID-19 pandemic (2020–2021), the minister of health did not announce any new regulations or restrictions without discussing the matter at a cabinet meeting. Regulations on Government Procedures (2018) states that cabinet meetings should be held regarding innovations in law (i.e., bills that ministers intend to submit to the Althingi as government bills) and important political issues. Important political issues include regulations and declarations that constitute an important measure or a change of emphasis, exceed the stipulated budget allocation, or impact the economy in general.

Citation:

Regulations on government procedures. (Reglur um starfshætti ríkisstjórnar. Nr. 791 2018).

Monitoring
Ministries
Score: 10

Under new regulations regarding the monitoring and oversight of ministries originally introduced in 2016 and updated in 2018, 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. 791/2018). This regulatory change is a step toward stronger, formal monitoring of ministerial bills.

Citation:

Regulations on government procedures. (Reglur um starfshætti ríkisstjórnar. Nr. 791/2018).

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 by the limited capacity of the National Audit Office (Ríkisendurskoðun) to monitor the activities of those agencies within its jurisdiction. From 2000 to 2007, the National Audit Office audited only 44 out of 993, or 4.4%, of the agencies within its jurisdiction. In 2009, almost half of the NAO's efforts (43%) were diverted to financial auditing related in some way to the financial crash and its consequences. Moreover, National Audit Office's resources were cut as its personnel was reduced from 47 to 42 in 2012, before being restored to 47 by 2017 and remaining close to that level in 2019.

Citation:

National Audit Office Annual Reports 2012 - 2019. (ÁRSSKÝRSLA RÍKISENDURSKOÐUNAR 2012 - 2019.)

Task Funding
Score: 8

The issue of grant-based funding has been a constant source of conflict between the local and central government levels. 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 with others 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/).

Constitutional
Discretion
Score: 8

Citation:

Eythórsson, Grétar Thór (2017), “Bigger and stronger together. How Icelandic municipalities solve their lack of capacity and scale economy,” in Teles, Filipe and Swianiewicz, Pawel (Eds.), *Inter-Municipal Cooperation in Europe Institutions and Governance*. Palgrave MacMillan. DOI: 10.1007/978-3-319-62819-6.

Eythórsson, Grétar Thór (2012), “Efling íslenska sveitarstjórnarstigsins: Áherslur, hugmyndir og aðgerðir,” in *Icelandic Review of Politics and Administration*, Vol. 8, No. 2. http://www.irpa.is/article/view/a.2012.8.2.12/pdf_278. Accessed 4 February 2022.

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, 62-88.

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

National
Standards
Score: 8

A diverse range 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 for social services (e.g., services for disabled people). These laws are specific and not thought of as incentives. Central government monitors compliance with some standards and has even raised certain standards to such a level that local governments find them difficult to achieve with the funding made available by central government.

Citation:

Barnaverndarlög, 2002 nr. 80 10 May.

Lög um grunnskóla, 2008 nr. 91 12 June.

Lög um þjónustu við fatlað fólk með langvarandi stuðningsþarfir, 2018 nr. 38 9 May.

Effective
Regulatory
Enforcement
Score: 6

Government agencies enforce regulations and are accountable to a corresponding ministry. Government agencies include the Directorate of Health, Icelandic Medicines Agency, Icelandic Competition Authority, Financial Supervisory Authority, and Directorate of Fisheries. Evidence of the extent to which these authorities are able to function in an effective and

unbiased way is hard to find. The Financial Supervisory Authority was heavily criticized for failing to do its job prior to the financial collapse in 2008. A 2015 master's thesis on the Directorate of Fisheries concluded that the directorate had operated according to OECD standards. However, as state television (RÚV) has reported, fishermen have over many years complained about the significant quantities of fish illegally discarded at sea, despite the directorate's denials. The Directorate of Fisheries (Fiskistofa) has in recent years implemented new methods that use drones to monitor the discarding of fish outside quotas (brottkast) .

The Central Bank of Iceland and the Financial Supervisory Authority (FME) were merged on 1 January 2020. The merger was intended to enhance trust, transparency and efficiency in financial administration. In the past, the FME was less effective as a department within the central bank than as an independent institution.

Citation:

Margrét Kristín Helgadóttir (2015), Eftirlitsstofnanir á Íslandi. Fiskistofa. MPA thesis from the University of Iceland.

RÚV (2017), Brottkast, ís-svindl og uppgjöf Fiskistofu (Discarding, ice-fraud, and the capitulation of the Directorate of Fisheries), <http://www.ruv.is/frett/brottkast-is-svindl-og-uppgjof-fiskistofu>. Accessed 4 February 2022.

Adaptability

Domestic
Adaptability
Score: 7

While not a member of the European Union, 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 government attempted to streamline and rationalize the ministry structure in order to weaken the long-standing links between special-interest organizations and the ministries, reducing the number of ministries from 12 to eight. By 2021, the number had been restored to 12.

International
Coordination
Score: 5

Iceland is an active participant in international forums, but seldom initiates measures. Iceland was not a founding member of the United Nations, but joined in 1946. 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 parties. The 2013 – 2016 cabinet did not renew negotiations and finally withdrew Iceland’s application for membership in 2015. As a result, the European Union no longer includes Iceland on its official list of applicant countries. Even so, the European Union may continue to view Iceland as an applicant country on the grounds that the minister of foreign affairs was not, without parliament’s approval, authorized to withdraw an application approved by parliament.

This question remains unsettled. The 2013 – 2016 cabinet rejected demands for a national referendum on whether Iceland should resume its membership negotiations with the European Union. This contributed to a split within the Independence Party, which produced a splinter party, Regeneration. Yet, when the Independence Party formed a cabinet coalition with Regeneration and Bright Future in early 2017, the coalition agreement included only a vaguely worded intention to hold a national referendum on the issue. Following the breakup of that coalition, which led to a new election in late 2017, the question remains unresolved. All three coalition parties in the right-center-left cabinet, which has been in office since 2017, publicly oppose EU membership.

Iceland’s small size constrains its effective contributions in international forums. The government says all the right things about global warming and peace, but its global contribution in this regard can only be minuscule. Concerning poverty reduction, Iceland’s development assistance remains small, far below UN goals, and has been scaled back.

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.

Institutional
Reform
Score: 7

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 eight and reshuffling ministerial responsibilities. Some of the ministries were administratively weak because of their small size. The capacity of these small ministries to cope with complex policy issues, such as international negotiations, was inefficient and ineffective. Further, the informality of small ministries was a disadvantage. The three cabinets since

2013, however, have more or less reversed these reforms by again increasing the number of ministers by four.

The government has not chosen to build on the reforms implemented under IMF supervision after the financial collapse of 2008 or to honor its own unanimous resolution from 2010. The resolution stated that “criticism of Iceland’s political culture must be taken seriously and [parliament] stresses the need for lessons to be learned from it” (authors’ translation). Related to this, strategic capacity has decreased as the government has been immersed in one political scandal after another, which has weakened governance. This is evidenced by the fact that Iceland’s per capita GDP (i.e., purchasing power) was lower in 2020 than in 2007 (World Bank, World Development Indicators).

II. Executive Accountability

Citizens’ Participatory Competence

Political
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 truer of domestic policies than of 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 among citizens and Iceland’s distance from other countries contribute to the domestic preoccupation of Icelandic politics.

The immediate response to the 2008 economic collapse demonstrates an ability on the part of some voters to quickly adapt to changed circumstances. In voter surveys during 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. This trend was accentuated by the publication of the scathing Special Investigation Committee report in 2010. 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 a new constitution secured a turnout of 49% of the electorate, despite the negative attitude of some of Iceland's 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. At 79%, voter turnout in the parliamentary election of 2016 was the lowest recorded since the beginning of the 20th century. Turnout among people aged 18 to 25 years old is especially low, as is the case in many Western democracies. Most current electoral research indicates that a significant proportion of young people do not vote due to a lack of interest. In the parliamentary elections in 2017 (81.2%) and 2021 (80.1%), voter turnout exceeded 80% again.

Citation:

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

Eythórsson, G., and Kowalczyk, M. (2013), "Explaining the low voter turnout in Iceland's 2010 local government elections," *Samtíð*. An Icelandic journal of society and culture, Vol. 1.

Eythórsson, G. T., Önnudóttir, E. H., Hardarson, Ó. T., Valgardsson, V. O., Jónsdóttir, G. A., Björnsdóttir, A. E., and Birgisson, H. E. (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. (2017), "Abstainers reasoning for not voting in the Icelandic Local Government Election 2014," *Íslenska þjóðfélagið*, Vol. 8, No. 1. <http://thjodfelagid.is/index.php/Th/article/view/86>. Accessed 4 February 2022.

Open
Government
Score: 4

The government does not systematically or regularly publish data or information that could strengthen the ability of citizens to evaluate or monitor the government. On the contrary, the government is widely seen as seeking to hide information that is readily available to citizens in neighboring countries. For example, the Pension Fund for State Employees has refused to publish the names of those pensioners who receive the largest payments from the fund and the amounts they receive.

The governing board of the central bank, appointed by parliament, does not publish the minutes of its meetings. This makes it impossible to ascertain whether the board has fulfilled its legal obligations to ensure that the central bank follows the law and makes it harder to investigate allegations of legal violations by central bank officials. In October 2008, the central bank lent the private bank Kaupthing €500 million just as Kaupthing was about to fail. The loan was not made in accordance with the bank's rules and may have violated the law. It is a matter of record that one-third of the loan amount was deposited

immediately in an offshore tax haven. Even so, as no minutes of meetings were kept, there is no way to determine whether the governing board of the bank fulfilled its legal obligations, let alone took appropriate measures.

These examples notwithstanding, the government has for some time run an open consultation web portal (Samráðsgátt, samradsgatt.island.is/um-samradsgatt/) to increase transparency, and opportunities for public and stakeholder participation in policymaking. One can find and access drafts of bills, rules, and policy documents via the portal. Everyone can send in comments and suggestions. The extent to which such contributions can affect the actions or intentions of the government is, however, unclear.

Citation:

Samráðsgátt stjórnvalda. <https://samradsgatt.island.is/oll-mal/?FilterDate=LatestChanged>. Accessed 4 February 2022.

Legislative Actors' Resources

Parliamentary
Resources
Score: 3

Parliamentarians have access to experts employed by parliament. While the 21-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 63 members of parliament. Ministers also have access to resources in their ministries. The Research and Information Office (Rannsókn- og upplýsingaskrifstofa), which has a staff of seven, collects data and other information for members of parliament.

In December 2018, the parliament passed a new budget for 2019, stipulating a substantial increase in the number of parliamentary assistants. At the time of writing in 2021/2022, there has not been an increase in staff numbers.

Citation:

Parliament (Althingi). Lög um breytingu á lögum nr. 88/1995, um þingfararkaup alþingismanna og þingfararkostnað (starfsmenn þingflokka og aðstoðarmenn formanna stjórnvaldaflokka). Lög nr. 135 21. desember 2018.

Parliament (Althingi). <https://www.althingi.is/um-althingi/skrifstofa-althingis/skipurit-og-hlutverk/>. Accessed 10 January 2022.

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; correspondence 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. The right of parliamentary committees to request access to information does not secure the right to obtain information.

An internet newspaper, Kjarninn, sued the central bank in 2017 in an attempt to gain access to the coveted recording of the telephone conversation. Then, all of a sudden, a transcript of the recording was published in Morgunblaðið, which is edited by the former central bank governor. According to the transcript of the telephone conversation, the former central bank governor declares to the prime minister that the €500 million loan to Kaupthink Bank just before the financial crash will not be recovered.

In early 2022, the minister of the interior instructed the Directorate of Immigration not to provide parliament with the information that parliament had requested.

Citation:

The Information Act (Upplýsingalög nr. 142/2012)

“Directorate of Immigration ignores parliament at minister’s request” (Útlendingastofnun hunsar Alþingi að beiðni ráðuneytis), RÚV 28 January 2022, <https://www.ruv.is/frett/2022/01/28/utlendingastofnun-hunsar-althingi-ad-beidni-raduneytis>. Accessed 4 February 2022.

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 Committee, 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 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. As a first-time offender, Haarde was not given a custodial sentence. He was Iceland's ambassador to the United States until 2019, when he was appointed executive director representing the Nordic and Baltic countries at the World Bank.

Citation:

World Bank. <https://www.worldbank.org/en/about/people/g/geir-hilmar-haarde>

Summoning
Experts
Score: 10

Independent experts are frequently asked to appear before standing parliamentary committees. Following the 2008 economic collapse, committees have more frequently summoned experts, particularly lawyers, economists, and finance and banking experts. Furthermore, political scientists and other experts 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.

In November 2018, the constitutional and supervisory committee of parliament summoned several members of parliament to a hearing following a scandal in which six members of parliament were taped in a public bar by an offended bystander using foul and misogynistic language, several of the members of parliament were intoxicated at the time of the incident. With one exception, the summoned members of parliament did not attend the hearing and the hearing was postponed indefinitely.

Citation:

Gylfason, Thorvaldur (2014), "Tvöfalt líf – Allir segjast vera saklausir ...," samtal við Þráin Bertelsson (Double Life – Everyone proclaims innocence ..., a conversation with Þráinn Bertelsson), *Tímarit Máls og menningar*, 4. hefti, <https://tmm.forlagid.is/tvofalt-lif/>. Accessed 4 February 2022.

Task Area
Congruence
Score: 5

The coalition negotiations between the Independence Party, the Progressive Party and the Left-Green Movement, following the September 2021 election, included a reorganization of ministries. The Ministry of Social Affairs and

Children became the Ministry of Social Affairs and the Labor Market. Some of the former ministry's responsibilities were assigned to the new Ministry of Education and Children's Affairs, which was also made responsible for primary and secondary education. The Ministry of Education and Culture Affairs was abolished, and cultural policy was assigned to the Ministry of Tourism, Trade and Culture. At the same time, responsibility for university education was assigned to the new Ministry of Science, Industry and Innovation. Other ministries remained unchanged, except that the Ministry of Communications and Local Government was renamed the Ministry of Infrastructure. This reshuffle further reduced the policy alignment between standing parliamentary committees and ministry responsibilities.

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 power 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 can, however, use the committees as a venue to voice their opinions.

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 the weight of such analyses in their programs in 2016. In 2018, the TV station was struggling financially and aired sponsored programs. In late 2019, a merger between Hringbraut and the newspaper Fréttablaðið was announced. Further, Fréttablaðið then purchased DV, a smaller newspaper. That will probably strengthen the ability of all three media outlets to undertake in-depth analyses as well as their economic position. Critical analysis of government policies by independent observers, experts, and journalists is a fairly recent phenomenon in Iceland.

The Special Investigation Committee report had a separate chapter on the media before and during the 2008 economic collapse. The report criticized 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 as was the case, for example, in the United States during the 1920s.

Parties and Interest Associations

Intra-party
Decision-Making
Score: 8

In the 2013 parliamentary elections, four out of 15 parties gained more than 10% of the votes. 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 members of parliament 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 or declared supporters have the right to vote. The Progressive Party has for long had 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.

Regeneration (Viðreisn) does not hold primary elections. The Pirate Party (Píratapartíð), which has held seats in Althingi since 2013, holds electronic primary elections in every constituency. Further, the Pirate Party uses internet platforms to conduct open debates on many policy issues. The People's Party (Flokkur fólksins) and the Centre Party (Miðflokkurinn), two parties that gained parliamentary seats for the first time in 2017 and won re-election in 2021, did not have any open selection procedures. Meanwhile, the Pirate Party held electronic primaries countrywide. In the nomination processes for the 2021 elections, the Social Democrats (Samfylkingin) decided to change from primaries to a much more internal nomination method. This led to disputes within the party and cost the party support. The independence Party held primaries in all constituencies in 2021.

Association
Competence
(Employers &
Unions)
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, SA), referred to as the employers' association, has close, informal ties to the right-wing Independence Party. Likewise, the Icelandic Confederation of Labor (Alþýðusamband Íslands, ASÍ) 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 – despite stating that all was well just before the 2008 collapse – continues to provide advice to the government.

A small group of vessel-owning oligarchs has amassed huge wealth through the discriminatory fisheries management system. They are widely viewed as holding significant political power, which they use to prevent reform of fisheries management, prevent the ratification of the new constitution and keep Iceland out of the European Union.

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.

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

Association
Competence
(Others)
Score: 9

Iceland has many active, noneconomic 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 19, and the Consumers' Association of Iceland (Neytendasamtökin), with a staff of six today and 7,300 members in 2018 (more recent information is not accessible). The Nature and Wildlife Conservation Organization (Náttúruverndarsamtök Íslands), which had 1,400 members and one member of staff in 2018, is also influential. This group has managed to feature prominently in public debates about hydro and geothermal power plants, and has expressed reservations about further construction of aluminum smelters around the country. Landvernd, the Icelandic Environmental Association with 6,000 members and 16 employees, also has influence.

Citation:
Landvernd, <http://landvernd.is/en>. Accessed 20th October 2019.

Consumers' Association of Iceland (Neytendasamtökin), <https://ns.is/>. Accessed 22 December 2018.

The Organisation of Disabled in Iceland (Öryrkjabandalagið), <https://www.obl.is/is/english> Accessed 20th October 2019.

Independent Supervisory Bodies

Audit Office
Score: 8

Iceland's National Audit Office (Ríkisendurskoðun) 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 for several years, as its staff numbers were reduced from 49 in 2009 to 41 in 2015, a total of 16%. However, the number of staff has been restored to 50.

Citation:

Ársskýrsla Ríkisendurskoðunar 2020 (Annual Report of National Audit Office 2020). https://www.rikisend.is/reskjol/files/Arsskyrslur/Arsskyrsla_2020.pdf. Accessed 7 February 2022.

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 17 staff members, including nine lawyers. In February 2021, Gallup reported that 49% of respondents expressed confidence in the Parliamentary Ombudsman compared with 34% confidence in parliament.

Citation:

The Parliamentary Ombudsman (Umboðsmaður Alþingis), <https://www.umbodsmadur.is/um-umbodsmann/starfsmenn>. Accessed 28 December 2021.

Gallup, <https://www.gallup.is/nidurstodur/thjodarpuls/traust-til-stofnana/> Accessed 29th December 2021.

Data Protection
Authority
Score: 10

The Icelandic Data Protection Authority (Persónuvernd) is a state-run authority, which monitors the processing of data to which the Act on Data Protection and the Processing of Personal Data No. 90/2018 apply. The authority deals with specific cases requested by public authorities or private individuals, or on its own initiative.

Citation:

The Icelandic Data Protection Authority (Persónuvernd), <https://www.personuvernd.is/personuvernd/>. Accessed 29 December 2021.

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<https://doi.org/10.11586/2022099>

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