

Iceland 2020 – governmental policy statement for the economy and community

Knowledge, sustainability, welfare

Introduction

Iceland aims to become a dynamic society capable of protecting its welfare in a manner that is sustainable and serves all members of the community by the year 2020.

The *Iceland 2020* policy statement is a vision for the future, which developed through dialogue and collaboration between hundreds of Icelanders throughout the country and in consultation with regional associations, local authorities, trade unions and economic interest groups. The recommendations it contains are the fruit of those meetings, the work of expert groups, and assessments and analyses conducted by university institutions to ascertain which external factors could have an impact on the development of Iceland in the years ahead. These meetings and projects were carried out under the umbrella of the *Moving Iceland Forward* initiative. The objective of the task is to establish a vision, which with concrete objectives can help to place Iceland at the forefront of other nations in the fields of value creation, education, welfare and quality of life.

Iceland 2020 is a policy statement for an efficient economy and society. It includes plans for investments in human resources and the necessary infrastructures for the economy, as well as policies on how to strengthen education and culture, innovation and development, the environment and social infrastructure. The aims are based on a draft of an economic activity plan, which was developed in consultation with representatives from trade unions and the Confederation of Icelandic Employers, as well the chairpersons of Science and Technology Policy Council committees and parliamentary party representatives.

The guiding principle from the very outset has been to establish an integral vision and common objectives to ensure more targeted and effective policy-making and planning within the public sector. Following this, public planning is to be simplified and consolidated with a view to bolstering the economy and education and facilitating the restructuring of public services. Simplified planning is therefore designed to ensure a better optimisation of financial resources and more effective collaboration between public administration and institutions.

In the development of the policy statement, particular consideration was given to those groups that risk long-term unemployment in the wake of the financial crisis. In a period of economic downturn, it is more important than ever to ensure that plans are in place to strengthen social participation and the active inclusion of all citizens, in addition to boosting the social infrastructure of welfare services, the education system and culture. All of the tasks that fall under *Iceland 2020* are expected to incorporate gender perspectives into their work.

A dynamic and diversified economy characterised by responsible growth is the cornerstone on which *Iceland 2020* is founded. A key factor in ensuring successful development is the emphasis on social knowledge, welfare and sustainability. In order to be able to evaluate the progress of the implementation of the *Iceland 2020* policy statement, 15 measurable objectives have been established in a proactive consultative process with the nation over the past months, in addition to 5 objectives that relate to economic prosperity and the quality of life. Policies and public plans will be reviewed and integrated to work towards these objectives.

The policy statement presents 30 actions and tasks that are designed to be the first steps towards reaching the goals of *Iceland 2020*. One of the most important tasks will be the

investment plan for the development of infrastructure, employment, human resources and society. This calls for the simplification, integration and merging of all the main aspects of strategic public planning and long-term budgeting. The principal elements that are presented in this strategy were agreed upon by the majority of those who participated in the meetings and national assemblies held within the framework of the *Moving Iceland Forward* initiative.

The document is divided into two sections. The first section focuses on the vision for the future and measurable objectives, while the second section presents recommendations and tasks that fall under the areas of responsibility of specific ministries.

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Vision and measurable objectives

Social objectives: Welfare, knowledge, sustainability

The objective for 2020 is for Iceland to become a fully-fledged member of the group of Nordic welfare states, which guarantee social security and the equality of citizens. Good education standards, high levels of employment and the active participation of citizens, irrespective of their place of residence, status or gender are prerequisites for this to succeed. The only certainty we have about our future is that there will be great changes in our immediate environment over the coming years. Technological development advances rapidly and this is just as true of social development. Changed family patterns, the number of new citizens of foreign origin, cultural class divisions and the large volume of work undertaken by parents away from home create the need to think about our well-being no less than our prosperity. A sound education and universal equality are the preconditions that will enable the nation to successfully embrace this future.

There are many indications that we need to look to more than prosperity to guarantee the basis for a good society. In 2006, Icelanders' life satisfaction was close to the OECD average and had been so since the beginning of the decade. During the same period there was a general increase in life satisfaction in OECD member states. The great prosperity that Icelanders had experienced did not therefore translate into an increase in life satisfaction. Over the past years, inequalities have greatly increased and grown more rapidly than in other OECD countries. The Gini coefficient, which measures inequalities on a scale of 0 to 100 (or according to how the combined income of every individual in the country is distributed) increased by 104% between 1993 and 2007. The coefficient would be 100 if the same individual held all the income and 0 if everyone had an equal income. In 2009, the Gini coefficient in Iceland was close to 30. This is actually one of the steepest increases to have been observed in a western economy. It is therefore important for the government to focus its policies for the future on a more even distribution of quality in the community and to boost the balancing effects of transfer payments and the tax system towards that goal.

Quality of life revolves around, among other things, the welfare of individuals, their health and income and improving their social status. The general state of health is good in Iceland, life expectancy after birth is as high as can be, infant mortality is lower than in most other OECD countries, and the percentage of people who are considered to be in good health is also high. There is, nevertheless, a pressing need to make improvements in society so that citizens can easily make informed decisions about healthy lifestyles. It is important that all government policies and measures be evaluated with regard to welfare. The promotion of health and preventive measures that contribute to improving public health will be reinforced, with a special emphasis on alcohol and drug abuse prevention, nutrition, exercise, and sexual and mental health. It is important to measure progress when it comes to subjective factors such as health perceptions in an objective manner.

Even though Iceland rates high in terms of its equal rights position in the world, when compared to other countries, it still has some way to go before full equality can be said to have been achieved. In 2006, Iceland measured at a value of 0.78 on the *Global Gender Gap Index*, in 2009 at a value of 0.83 and in 2010 at a value of 0.85, and Iceland ranks first according to this international classification. In order to be able to say that full equality has been achieved, the value needs to reach 1, which is Iceland's long-term goal. There is a need to continue on the path that has been set and to incorporate the gender mainstreaming

perspective into government policy making and employment creation measures. Maintaining one of the highest labour force participation rates for women in the OECD countries requires special consideration to the status of both sexes in the labour market, the balance between work and private life, and the framework for children and young people within that context.

The number of people living with disabilities has increased over the past years and there are a variety of reasons for this, including, among other things, the rising average age of the population, altered social patterns, a rise in the diagnosis of mental illness and increased strain on the labour market. About half of the people with the disabilities are generally satisfied with their lives. More than half of them consider the state of their health to be poor and about half of them again are dissatisfied with their financial positions. The weighing up of all these factors reveals that the position of the majority of people with disabilities is not satisfactory enough and, in their own estimation, only 8% of these people consider themselves to be in a good position in terms of their health, finances and life in general.

In view of the above one can therefore see that there is a strong need for more part-time jobs tailored to the skills of people with impaired working abilities, as well as a more flexible and understanding labour market and employers. There is a need to increase resources, training and guidance and to consolidate and optimise existing services. Above all, people have to be kept active. The majority of people with disabilities are women and people with little or no secondary education. The vast majority have some experience of the labour market, but have been on disability pensions as the result of an accident, trauma or illness contracted as adults. Many live in poverty, social isolation and tight finances. It is important to take these elements into account when working on structures and strategies relating to the compensation system and competency assessment, as well as efforts to increase activity and the employment participation rate.

Iceland is a knowledge society. The percentage of people of a working age is high, as is, from an international perspective, the level of labour force participation, particularly among women and people over the age of 65. However, the dropout rate from secondary schools is a serious concern. The number of people of a working age who have only completed their primary education is an equal source of concern. In the wake of the economic crash, unemployment rapidly soared, particularly among young people and the less educated. It is crucial to ensure that these groups are given access to schooling or other forms of education, continuing education and support to prevent long-term unemployment from taking root. Long-term unemployment cannot be prevented without targeted measures and major efforts to guarantee a broad range of study and continuing education opportunities, as well as flexibility and security on the labour market.

Social and occupational patterns have undergone rapid transformations and we can expect that development to continue. The contribution of primary sectors such as fishing, fish processing and agriculture to the gross domestic product (GDP) has contracted over the past years and accounted for approximately 8% of the GDP in 2008. It is not known whether this trend will persist, since the weight of the primary sector has increased again in the wake of the economic crisis. Traditional industry has remained stable over the past decade and in 2008 accounted for 16% of GDP. The construction industry accounted for 12% of the GDP, but it is clear that this was about twice the size of what could be sustained in the long term. The remaining 64% of the GDP emanates from the services sector, some 26% of which comes from financial services. Tourism and creative industries have grown exponentially. The companies and employment opportunities that will yield good wages in the future are

likely to mostly flourish around industry and services, including the high-tech and knowledge industry, biomedical sciences, tourism and creative sectors.

For a small modern economy such as Iceland's, knowledge and innovation are particularly important. There are opportunities for innovation in all areas of the economy, but not least in the production of agricultural and marine products, since a dynamic knowledge environment promotes innovation in a market that is receptive to modernisation. The Science and Technology Policy Council places a particular focus on these challenges and lays down a policy that puts Iceland at the forefront of research and innovation. The policy is aimed at boosting research and investigative studies at universities and institutions, by making better use of available facilities and making it easier for companies to participate in research and apply its findings. Supporting research-linked innovation and inter-disciplinary cooperation between start-up companies, universities and research institutes can generate added value for the economy as a whole.

The heightened emphasis on the services sector, ingenuity and creativity is sensible. People who use e-business and electronic communications are calling for universal access to high-speed connections, and a great deal of progress has been made on that front over the past years. Access to the internet and its use is very widespread in Iceland and among the best there is. Technological infrastructures, human resources and IT skills are of a high standard, but the offer of electronic public services is still by no means sufficient, and the use of information technology to enable the public to participate in the democratic decision-making process is not satisfactory. This situation is very clearly reflected in international surveys and constitutes an opportunity, since in 2010 Iceland ranked 22nd on the *E-government development index* and ranked 135-143rd in the *E-participation Index* which is compiled by the United Nations every year. There is a demand for electronic services and they need to greatly increase, particularly in the field of public e-services. The government policy, which goes under the name *Iceland, the e-nation* is a road map for the development of e-government and the use of information technology between 2008-2012.

Iceland's contribution to research, development and innovation now accounts for 3% of GDP, which is a considerable amount and on a par with other knowledge societies. However, this investment does not seem to have resulted in sufficiently better results for companies. The solution does not lie in a unilateral increase in government contributions, but rather in strengthening the capacity and resolve of the companies themselves to further research, development and innovation. This can be done through mutual research funds or other incentive measures, such as tax incentives, and by cultivating a more favourable environment for innovation and, in doing so, boost value creation and exports.

Sustainable development has to be focused on three main areas: the economy, community and environment. Sustainability can only be considered to have been achieved when there is positive growth in all of these areas. It is important to bear this in mind, particularly when thinking about the exploitation of natural resources to develop the economy or enhance the quality of life. There is a need to guarantee the responsible and sustainable exploitation of natural resources as well as the competitiveness of the economy. Sustainability in the area of food revolves around, among other things, the use and production of domestic agricultural supplies such as fertilisers, fodder and energy/oil. Increased domestic food production boosts sustainability and generates employment. It is important to ensure that the dividends that derive from common resources are maximised in the long term and benefit society as a whole, both directly and indirectly.

Resources and energy policies must be founded on sustainability, be aimed at strengthening the security and welfare of society, yield benefits, and enjoy a broad long-term consensus. An important premise for this consensus is to ensure that in each instance the nation receives a reasonable return on common resources and to preserve an equilibrium between security and efficiency considerations. The interests of future generations need to be borne in mind in the formulation and implementation of policy, and nature and the environment have to be left as unspoiled as possible. Unspoiled nature is also a resource, which yields both tangible and intangible benefits to, among other things, tourism and outdoor activities in general.

Eco-innovation applies to any form of innovation that leads to a better environment, sustainable development and the optimal use of resources throughout their lifespan. The market for eco-friendly goods and services is rapidly growing. According to research conducted by the OECD, their value now accounts for 2.5% of the GDP of EU member states. There are many opportunities that Icelandic companies can seize in this area, thanks to, among other things, their flexibility and the positive image enjoyed by Icelandic nature. Most countries are having to grapple with vast environmental problems, due to, among other things, high greenhouse gas emissions, accumulated waste and stresses on the ecosystem. Eco-innovation presents Iceland with unique opportunities and significantly contributes to sustainable development.

In order to monitor how successfully Iceland is moving towards becoming a dynamic society founded on welfare, knowledge and sustainability, the following 15 concrete objectives have been set for the next ten years:

1. To reduce the percentage of people (aged 18-66) with disability from 7.3% of the population to 5.7% by 2020.
2. To reduce the unemployment rate from 7% in 2010 to 3% by 2020.
3. To achieve greater equality in Iceland, by lowering the Gini coefficient for disposable income to around 23 by 2020.
4. To narrow the gender gap in order to bring the Global Gender Gap Index close to 0.9 by 2020.
5. To improve well-being and sound mental health so that the average measurements on the *well-being index* rise from 26,6 in 2009 to 28 in 2020.
6. To reduce the percentage of Icelanders aged between 25-64, who have not received any formal secondary education, from 30% to 10% by 2020.
7. That 4% of the GDP shall be allocated to research, development and innovation. The investment by the private sector shall be 70% against a 30% contribution from the public sector through contributions to competitive funds and research programmes.
8. That by 2020, Iceland be in the top 10 nations on the *E-government development index* and *E-participation Index* measured by the United Nations.
9. That by 2020, the high-tech industry will account for 10% of the GDP and 15% of the value of exports.

10. That a minimum of 10% of the fuels used in the fisheries industry will be eco-friendly by 2020 and that 10% of all fuels used in transport will be eco-friendly.
11. That by 2020 Iceland shall have made commitments comparable to those of other European nations with regard to the United Nations' Framework Convention on Climate Change and that net emissions excluding ETS will decline by 38% from the year 2008.
12. That eco-innovation and its products be the main growth sector of this decade, with an annual growth in turnover of 20%, which will double between 2011 and 2015.
13. That by 2020, 75% of new vehicles weighing less than five tons will run on renewable energy.
14. That the percentage of domestic food consumed by Icelanders will have increased by 10% by 2020.
15. That by 2020, the skills of Icelandic elementary school pupils be comparable to those of the top 10 nations classified by the OECD Programme for International Student Assessment (PISA) in the domains of reading and mathematical and scientific literacy.

Economic and development objectives: Prosperity and quality of living

In many ways living conditions are good in Iceland. There was a great deal of economic progress in the last century and this is reflected in the fact that, between 1945-2009, the GDP per capita increased by 450%. This is a striking achievement and economic growth was greater in Iceland during the post-war years than in many of the countries we tend to compare ourselves with. This evolution can be attributed to many factors. All things being equal, nations that industrialise late can, under the right conditions, achieve industrialisation quite rapidly. The success of the economy in the last century, however, does not constitute a guarantee for economic growth in the current one.

Economic growth is not a guaranteed indication of happiness. Research has demonstrated that there is a limited correlation between national income and national happiness. If an increase in national income comes at the expense of a deterioration of the environment and resources, for example, or growing inequalities in the community, the increased income can actually lead to a reduction in well-being. It is therefore important to measure well-being by more yardsticks than economic growth alone. There are many yardsticks available for measuring the well-being of a nation, such as the *Genuine Progress Indicator* (GPI) and the UN's *Human Development Index* (HDI). The HDI ranks the well-being of a nation from the per-capita gross national income, standard of education and life expectancy. We could also call this the UN's quality of life inventory. The highest score on this yardstick is one and the lowest is zero. The Nordic countries have ranked on top of this list for many years. Iceland ranked third in 2008 with a value of 0.969, but dropped to the 17th position by 2009 with a value of 0.869. In 1980, Iceland measured at 0.886. The *Genuine Progress Indicator* takes a number of factors into account, such as differences in income, and the cost of environmental damage and the unsustainable exploitation of resources, as well as many other factors, and adjusts economic growth measurements accordingly. If the GDP is not sustainable, growth in the *Genuine Progress Indicator* will be lower than the growth in GDP.

Despite good economic growth in the long term, economic instability and volatility have been more pronounced in Iceland than in other countries. The lack of good governance for decades led to much more elevated inflation than elsewhere, with consequent costs, damages and uncertainty regarding value. The estimated GDP per capita is similar to what it was between 2003-2004. There was a great deal of volatility between these periods, however, first during the upswing years up to 2007, and subsequently during the downturn and financial crisis between 2008-2010. The upswing turned out to be a bubble that burst. This delivered a harsh lesson to the nation on the importance of economic stability and sustainable growth.

One of the greatest tasks the nation now faces is to reset its priorities and a sensible framework within which to guarantee both stability and economic growth. In order to achieve this, the nation needs to train itself to think ahead on economic and financial issues. Concrete objectives and clearer policies are required in the state's fiscal and monetary affairs. It is equally vital to ensure that the necessary measures are taken to reach these goals. A clear vision for the future, a credible framework for economic development and joint long-term planning are fundamental preconditions for achieving a consensus and peace in the labour market. The members of the labour market, interest groups and government therefore need to work closely together on these issues.

Economic and development objectives need to be clear, easily measurable and comprehensible. It is also useful to place them in the context of the performances of other nations.

The economic and development objectives are:

1. That public debt shall not exceed 60% of the GDP by 2020.
2. That, by 2020, inflation shall be no more than the Central bank's target rate, which is now 2,5%.
3. That, by 2020, interest rates (long-term interest rates) shall be no more than two per cent higher than the interest rates in the three EU member states with the lowest interest rates.
4. That the UN's *Human Development Index* (HDI) for Iceland shall be comparable to those of the top five nations on the index.
5. That the *Genuine Progress Indicator* (GPI) shall always remain on a level with the growth in GDP.

Iceland 2020 forms the basis for the Icelandic government's policy-making and planning in specific areas over the coming years. The monitoring of the 20 yardsticks that have been defined in this chapter on economic and development objectives, as well as the previous chapter on social objectives, give some indication of the progress made in moving Iceland along on the path to welfare, knowledge and sustainable development. The Prime Minister's Office is responsible for monitoring *Iceland 2020* in relation to other ministries and ensuring that the policies, plans, tasks and measures that are detailed below are followed. The Prime Minister's Office shall assess the status of the twenty objectives on an annual basis.

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Recommendations

Iceland 2020 – Policies and Projects

Strategy for the economy and society

The goals of the *Iceland 2020* policy statement shall be the guiding force on which the Icelandic government will base its vision and planning over the coming years. *Iceland 2020* contains 15 social objectives and 5 economic and development objectives. All the objectives are measurable so that they can be monitored and results can be evaluated. At the same time, work will begin on integrating policies and plans into long-term investment planning, as well as regional action plans etc. *Responsibility: Prime Minister's office.*

Economic and fiscal plan until 2020

The government's long-term economic and fiscal plans will be made for 5 and 10 year periods. They will regularly be submitted to parliament in the form of a report. The report will outline the strengths and weaknesses of the Icelandic economy, as well as the required policies and options for the future. The analysis will form the basis for decisions, reforms and the establishment of priorities. The plans will be revised every three years. *Responsibility: Ministry of Economic Affairs.*

Economic activity plan

An economic activity plan (EAP) will be formulated on the basis of the fundamental elements that have been identified in consultation with the members of the labour market, parliamentary representatives, chairpersons of scientific and technical committees and in light of the emphasis in *Iceland 2020*. The economy activity plan forms an important basis for short and long-term measures and is a fundamental part of the vision for the future presented in *Iceland 2020*. *Responsibility: Ministry of Industry/Ministry of Fisheries and Agriculture.*

In the preparation process, a broad consensus was reached on the fundamental basis for an economic activity plan for the future. These key elements were formulated by trade union representatives and economic interest groups, as well as the chairpersons of scientific and technical committees and parliamentary party representatives. To support the EAP, a progressive education policy is in place, with an emphasis on quality and investing in human resources, research and the development of key elements. The new EAP for Iceland should be founded on the following elements:

Main objectives

The primary objective of the **economic activity plan** for Iceland until 2020 is to create new and diversified jobs, which are well paid, generate money, and boost Iceland's competitiveness as a whole or in specific sectors. The basis of the EAP shall be diversification, non-discrimination, healthy business practices, equal rights and the nurturing of green economic activity, in accordance with the philosophy of sustainable development.

Competitiveness of the operating environment

The government's main focus will be on establishing a good general environment for economic activity, as well as a sound framework and market rules. In order to create an environment for growth, one has to ensure the competitiveness and sustainability of the financial and tax environments, access to both domestic and foreign credit, and to support more diversified foreign investment, as well as economic and social stability through, among other things, a stable currency, the lifting of capital restrictions, stable

prices and healthy competition, in addition to regaining trust and ensuring good governance.

Facilitating the foundation and operation of companies

The appropriate conditions will be created for the foundation and running of companies with simple administrations and regulations, a strong and straightforward innovation environment, and a focus on the needs of small and medium enterprises.

Main growth sectors

Growth in the Icelandic economy has to be green, proficient and encompass many areas of the economy. The main growth sectors are likely to be linked to industry and primary production and services, including the high-tech and knowledge industry, innovative sectors and tourism. It will be the task of the Science and Technology Policy Council to define the areas of growth.

Support for business clusters

The formation of business clusters will be supported in fields where there are opportunities for responsible growth and an emphasis will be placed on investing in education, science and innovation.

Temporary support for growth sectors

Growth sectors shall be given special support for research and development, education and continuing education, as well as investments in the infrastructure and social framework and support for the marketing of Iceland.

Education a key factor – flexibility and security in the labour market

The labour market and welfare system need to ensure flexibility and security. In order to strengthen the economic activity plan, a progressive education policy needs to be in place. A special focus will be placed on further study opportunities and on-the-job training for people who are temporarily excluded from the labour market.

Consensus on resources and environmental issues

A broad consensus needs to be reached with regard to resources and the environment, with an emphasis on sustainability and Iceland's leading role on the environmental front.

Simplification of public management and administration

Public management and administrative systems that are linked to economic activity shall be made fully comprehensible, by simplifying the support system for regions, innovation, university and research, and by merging agencies and funds and coordinating procedures.

Emphasis on clear regulations – good governance

There will be a call for discussions and proposed regulations for economic activity, and public management and administration.

Collaborative forum on preliminary measures for employment and the labour market

A collaborative forum will be set up to make headway on specific tasks covered by *Iceland 2020* and the economic activity plan for Iceland, not least in the areas of employment development and labour market issues. The objective is to form a broad consultative forum to focus on projects in this area and, in doing so, ensure that common objectives for a robust economy and society throughout the country are reached. The government has urged for a target economic growth of 3-5% to be set for 2011, as well as the creation of at least 3-5,000 new jobs. This collaboration will involve political party representatives, the Association of

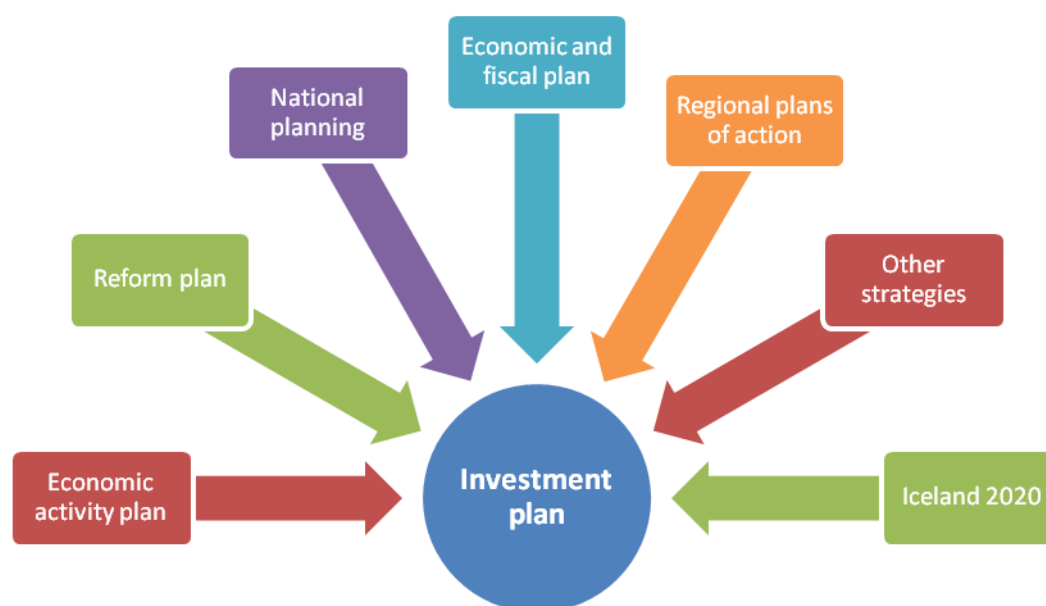
Local Authorities and members of the labour market. The forum will consult with the various parliamentary committees that work in the relevant areas. *Responsibility: Prime Minister's Office.*

Iceland 2020 – Integrated planning

In order to implement the priorities and objectives of *Iceland 2020*, changes will have to be made to the structure of the public sector and the strategic tools that have been used over the past years will need to be reviewed.

Investment plan for the development of infrastructure, employment, human resources and the community

It is proposed that all of the state's more extensive programmes, which include policy goals, planning and funding priorities, should be simplified, consolidated and integrated. The objective is to eliminate the bottlenecks standing in the way of sound economic and social development, to prepare current and future generations for the opportunities and challenges that lie ahead, support sustainable development and job creation, and ensure a sensible prioritisation of funds and resources to enhance the quality of life of all citizens. An integrated sectoral plan provides for the funding of key investments needed to fulfil the vision of *Iceland 2020* and to implement the action plan for the economy and the community. The plan also urges for the integration and simplification of public policy and plans in certain fields. *Responsibility: Ministry of Finance*



The plan will consist of a few key elements:

1. The economic and financial basis:
 - a. Analysis of strengths and weaknesses of the economy and economic system
 - b. The financial scope for investment during the planned period
 - c. The financing of the plan: by the state, generated revenue or other partners
 - d. The supervision that will ensure the funding is well used
2. Infrastructure:
 - a. Transport
 - b. Energy

- c. Environment
 - d. Communications and data transmission
3. Development of employment, research and innovation:
 - a. Tourism
 - b. Innovative sectors
 - c. High technology
 - d. Science, research and development
 - e. Local and regional action plans
 4. Human resources
 - a. Equal rights issues
 - b. On-the-job training and continuing education
 - c. School reforms
 - d. Universities, innovation and knowledge centres
 5. Services and society:
 - a. Strengthening of municipalities
 - b. Housing issues
 - c. Health institutions
 - d. Cultural institutions and museums

Regional plans of action

Plans of action will be formulated for each regional district. They shall take the geographical breakdown introduced in the *Moving Iceland Forward* initiative into account, although there shall be a special focus on formulating a joint plan for the entire southwest of Iceland and a plan for the entire north of the country. In addition to the funding of individual projects that come under long-term investment plans, the administration and specific regional action plans will be financed through joint growth agreements, cultural agreements and the restructuring and integration of regional employment and development frameworks. The plans shall be founded on the objectives of *Iceland 2020*, in addition to the ideas and emphases that emerged from the eight regionally based national gatherings held in 2010 and the strategies that were subsequently formulated by the regional organisations. The prioritisation of specific projects will be determined by the local population in each area. Common forums will be defined for local governments and economic and institutional representatives in each area, and these will replace the various boards and committees that have been involved in these issues in the current organisation. Responsibility: *Ministry of the Interior/Ministry of Industry*.

Regional plans of action call for prioritisation and the formulation of recommendations that, among other things, take into account:

- Regional strategies that define the land use in each area.
- Plans for the strengthening of municipalities with more projects, cooperation and integration.
- Plans for the sustainable use of energy, resources and supplies in the specific area.

- Plans for the development of a core transport network for the entire country to be completed by 2020.
- Plans for transport centres in each region and the promotion of public transport links to the rest of the country.
- Policy for secure access to high speed telecommunications throughout the country.
- Support for cluster cooperation between companies, wherever possible.
- Simplification and restructuring of the employment and regional development framework in the relevant district.
- Labour market and education plans that take into account the needs of both genders in each area.
- Policies for collaborations in each region between education institutes, on one hand, and knowledge and innovation centres, on the other.
- Cultural and tourism policies for each region.
- The boosting of electronic services and restructuring of public services in each region.

Reforming public administration and services

A reform plan will be formulated to identify the necessary changes that need to be made to public administration, services and management. The plan shall take into account the service areas defined under *Moving Iceland Forward*, plans for the strengthening of local government, the restructuring of law enforcement, health and welfare services and the pressing need to streamline the public sector. There will be a particular focus on exploring ideas for multi-functional state and municipal service centres at a local level (one-stop-shops). A timeframe needs to be established for the promotion of e-government and e-services on the web so that citizens can perform their own administrative tasks from any location, around the clock.

Responsibility: Relevant ministries. The Prime Minister's Office will set up a consultative forum to formulate the plan.

Simplification, reduction and coordination of government policies and plans

Parallel to the work on preparing long-term investment and regional action plans, it is proposed to draft comprehensive recommendations to amend the organisation and methodology applied to policy-making and planning within the administration. The objective is to gain a better overview and improve working procedures by, among other things, reducing the number of policies and plans, better coordinating the policy-making and ministerial planning processes in the preparation of budgets, and ensuring that performance evaluations and monitoring are always carried out. *Responsibility: Relevant ministries. The Prime Minister's Office will set up a consultative forum to focus on these issues.*

Statutory policies and plans that need to be integrated and simplified:

- Transport policy
- Communications policy
- Regional policy
- Tourism policy

- Health policy
- Policing plan
- Organisation policy
- Energy policy
- Education policy
- Welfare for the future, Iceland's strategy for sustainable development
- *Iceland, the e-nation*, strategy for an information society
- Plan for the strengthening of local government
- Framework for the protection and exploitation of nature with a focus on hydropower and geothermal energy
- Parliamentary resolution on immigration issues
- Parliamentary resolution on equal rights
- Parliamentary resolution on children and youth issues

Iceland 2020 – specific projects to follow up the policy statement and economic activity plan

Education a key factor

Education plays a key role when it comes to preparing for the future and adapting to change, both for individuals and society as a whole. It is important to link education to all the other policy-making. The entire school system needs to be rigorously reviewed, from the very first day of kindergarten. The need for education and continuing education is inexhaustible.

To strike an equilibrium in the basic elements of traditional education, such as reading, maths and Icelandic, focus needs to be placed on skill factors, such as information literacy, independence, initiative, critical thinking, social responsibility, participation or pro-activeness and, last but not least, ethics. Creativity needs to be emphasised at all school levels with systematic training in practical and artistic creativity. Preschool's philosophy of learning through play needs to be applied more widely throughout the school system. The integration of innovation into all areas of study plays a key role and the training of teachers is crucial, particularly inter-disciplinary training that can provide them with a broader understanding of the diverse disciplines than they have now. Endeavours need to be made to link school work to innovation, e.g. by organising visits from working artists and professionals from the creative industries.

It is important to build a balance and bridges between creative disciplines and mathematics and the sciences. Technical centres need to be set up to attract the attention and interest of children and youths in scientific subjects and stimulate innovation. Attention also needs to be given to teacher training in these areas. There is a growing demand for people with industrial and technical training in Iceland. Vocational training needs to become a real option in the school system and there needs to be greater respect for vocational training and working skills. Effective education and career guidance services need to be readily available both on the upper levels of elementary schools and secondary schools.

High school dropout rates need to be reduced both through social and academic measures. Strong links between upper secondary schools and vocational training are important. Systematic training needs to be bolstered to enable individuals, who may have dropped out of their studies or lost their jobs, to improve their skills and qualifications. A major effort will be required to assist this group. The number of university-educated individuals at undergraduate, graduate and post-graduate level needs to increase, as does the number of foreign students graduating from Icelandic universities. The standard of university education must be guaranteed through effective quality control. A key element in this regard will be the use of an evaluation system based on recognised international standards.

Any obstacles hindering further collaboration between universities need to be examined. At the same time, there is a need to look into the funding of these institutions and how the various revenues and costs affect the possibilities for cooperation. The activities of universities in Iceland, including their operational efficiency and education policies, must be examined so that a policy on the number and activities of independent universities can be defined. Closer links need to be fostered between the universities and economy in the fields of research and teaching. Research activities that are focused on the requirements of the economy must be intensified and conducted by universities, individuals or companies under

the professional supervision of experts. Potential conflicts of interest also need to be considered.

Competitive funds must be increased in the field of innovation and research, since it is recognised that competition improves quality. A higher degree of transparency is required for the management of public funds that go into innovation. Diversification must be promoted and the interplay between innovation projects and research needs to be intensified. *Responsibility: Ministry of Education, Science and Culture.*

Green economy

Green business activities constitute one of the greatest opportunities for Iceland over the next decades. To fully avail of it, some thought needs to be given to infrastructure, human resources, the environment, the sustainable use of resources, and the tax environment, as well as environmental research and development. There is a particular need to consider the role of the educational system to ensure that young people and the unemployed are provided with educational opportunities in areas where there is potential for growth and a shortage of personnel. A cross-party committee appointed by parliament is working on the formulation of a comprehensive proposal for the promotion of green business activities. It is expected to deliver its recommendations and action plan no later than March 2011. The conditions for the creation and support of cooperation clusters in the fields of energy and geothermal power are also being explored. *Responsibility: Ministry of Industry.*

Creative industries

Creative industries have played a greater role in sustainable value creation in recent years than many people care to recognise. This includes companies that have been growing rapidly during the economic downturn. Moreover, it has been estimated that the creative industries will be able to employ an additional 3,000 people over the next three years. In order to ensure this growth, there is a need to identify the obstacles on its path and to work on formulating recommendations for any necessary reforms. Support will be given to facilitate the marketing of Icelandic art, culture, design and ingenuity abroad. There is a particular need to consider the role of the educational system to ensure that young people and the unemployed are provided with educational opportunities in areas where there is potential for growth and a shortage of labour. *Responsibility: Ministry of Education, Science and Culture/Ministry of Industry.*

Growth agreement for tourism

An agreement will be drafted on the basis of a common vision of growth in tourism over the next ten years. It shall include a common marketing objective, an extension of the tourist season, the required development of infrastructure, quality control and other crucial factors to facilitate secure, responsible and successful growth in this important sector. An emphasis will be placed on cultural, health, and lifestyle aspects, as well as winter tourism. There will be a special focus on boosting research and the collection of data to promote growth and value creation in the industry. The agreement and its funding will involve organisations and companies working in the tourist industry, in addition to government and local authority representatives. *Responsibility: Ministry of Industry.*

Cooperation clusters between the fishing and food industries

Opportunities to promote effective cooperation clusters between the fishing and food industries will be promoted. These sectors possess an extensive knowledge and experience that it is important to tap to promote further development and innovation in the production, marketing and processing of their products. International environmental certification and the opportunities deriving from it will be given special consideration.

Moreover, the scope for farmers to engage in home production, product development and home sales will be systematically increased as part of the tourism industry, and greater support will be given to denomination of origin labels and the organic cultivation and production of food. *Responsibility: Ministry of Fisheries and Agriculture/Ministry of Industry.*

Strengthening of local government

The aim will be to greatly strengthen local government by transferring projects from the state to municipalities, and integrating and boosting collaboration between municipalities to enhance local community development in each region. A draft plan for strengthening local government has been formulated. *Responsibility: Ministry of the Interior.*

National planning

Work will be done to ensure that national planning takes into account, i.a., the objectives of *Iceland 2020*, regional plans and the orientations of framework strategies on the use of natural resources and the conservation of nature. *Responsibility: Ministry for the Environment.*

Special regional planning for the southwest

A regional plan will be prepared for the southwest of the country, from Reykjanesbær in the west to Borgarnes in the north and Árborg in the east. *Responsibility: Ministry for the Environment.*

Formulation of a policy for the capital area

In collaboration with the Icelandic Association of Local Authorities and local authorities in the greater Reykjavík area, a municipal policy will be formulated to define the role of Reykjavík and the capital area as a whole and the opportunities it presents. They will also examine the framework for economic and social life, the environment, development and infrastructure, local democracy, the public management system, the weaknesses that need to be overcome and the strengths that can be built upon, in addition to defining the capital's obligations to the country as a whole. *Responsibility: Ministry of the Interior.*

Energy switch in transport

Iceland will be a pioneer in the testing, production and use of eco-friendly fuels in transport, and the government, local authorities and power companies will collaborate to reach a consensus on this matter. *Responsibility: Ministry of Industry.*

Northern Forum Centre

Iceland will be at the forefront of Arctic issues and the possibility of establishing the Arctic Council's headquarters in Iceland will be explored. The Ministry of Foreign Affairs is working on formulating a comprehensive policy regarding the Arctic, which takes the interests of Icelanders into account in a broad context, with regard to its geographical position and security, as well as the opportunities linked to the increased push to tap Arctic resources and climate change. The preparation of the strategy is well under way. *Responsibility: Ministry for Foreign Affairs/Ministry for the Environment.*

Merging of universities

Recommendations will be drafted to increase cooperation and look into the possible merging of universities and tertiary institutions with the aim of ensuring diversification and quality in teaching and research. This requires an evaluation system based on recognised international standards, as well as improved frameworks for connectivity between universities and economic activity in the fields of research and teaching, which can guarantee the autonomy of universities. *Responsibility: Ministry of Education, Science and Culture.*

Science village in Vatnsmýri

For many years, the Science and Technology Policy Council has focused on the potential that can be tapped by merging public research institutions and the advantage of their proximity to universities and knowledge companies. Targeted work has been proposed on this matter to optimise financial and human resources and create a knowledge environment in the university area of Vatnsmýri, which could be on a par with comparable international developments abroad. *Responsibility: Ministry of Education, Science and Culture.*

Integrating research and industrial funds

The merging of the research and industrial funds under the umbrella of RANNÍS is both timely and important. A broad consensus has been reached on a policy to ensure research and development is conducted professionally through competitive funds and the strategic research programmes of the Science and Technology Policy Council. It is important that the strategic research programmes focus on supporting support new employment and education policies. *Responsibility: Prime Minister's Office/ Ministry of Education, Science and Culture.*

Human rights plan

The human rights conventions to which Iceland is a signatory need to be ratified and brought into force, and a human rights plan needs to be defined in line with the Nordic model. *Responsibility: Ministry of Interior.*

Investments

A clear policy needs to be formulated with regard to foreign investments and targeted efforts have to be made to facilitate investment in the Icelandic economy. There is a particular need to generate seed funding for infrastructure and risk investments in the fields of knowledge and innovation. *Responsibility: Ministry of Industry.*

Establishment of Natural Resources Fund

A Natural Resources Fund will be founded to dispose of the dividends generated by natural resources which are the common property of the nation. Earnings from the fund's operations will be invested in economic development. *Responsibility: Ministry of Industry/Ministry for the Environment.*

Greater equality and effective welfare

A plan will be drafted to increase equality and active citizen participation. There is a need to ensure that children have a good and secure environment to grow up in. The entire social compensation and disability pension system needs to be revised and refocused on individual ability and the growing trend in the number of individuals on disability pensions needs to be reversed. There is a need to systematically guarantee the earnings of the lowest income groups in the community, equality has to increase and long-term poverty must be eradicated. Those who, due to illness, disability, age or social circumstances, are unable to play an active role in society need to be provided with the appropriate services and assistance that will enable them to help themselves. *Responsibility: Ministry of Welfare.*

Improvement of the national parks and environmental tourism

A development fund for tourism, national parks and protected areas shall be established with the revenue levied from tourist taxes. The fund will be used to finance infrastructure, facilitate growth in the tourism sector, and ensure that visits to the national parks and protected areas cause no disruptions or damage. *Responsibility: Ministry of Industry/Ministry for the Environment.*

Increased competitiveness and advice on competitiveness

The *Moving Iceland Forward 2020* status report contains recommendations on the key factors that can boost Iceland's competitiveness. They have been prepared by experts from all over the community. To follow up on these recommendations and policies, a competitiveness council will, i.a., be established along international models, with the direct participation of government ministers and representatives from the economy, universities and associations, cf. the Science and Technology Policy Council. *Responsibility: Ministry of Economic Affairs.*

Quality of life inventories and generational accounting

It is proposed that national accounts, which measure the quality of life, be expanded and that information needed to calculate the GPI (*Genuine Progress Indicator*) be collected and followed up on. Means will also be developed to conduct so-called generational accounting, so that the impact of decisions, policies and commitments that are being made are not only focused on short-term results but also the future. *Responsibility: Ministry of Finance/Ministry of Economic Affairs.*

A fair and competitive tax system

The tax system will be reviewed to guarantee Nordic welfare, the competitiveness of the economy, and a fair distribution of income. *Responsibility: Ministry of Finance.*

Support for the creation and growth of clusters

The formation of clusters will be supported in areas where there are opportunities for responsible growth with an emphasis on investments in education, science and innovation. *Responsibility: Ministry of Industry.*



PRIME MINISTER'S OFFICE

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