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The shortfall in GDP per capita gap relative to the upper half of OECD countries shrank in the mid-2000s but has since widened as a result of the crisis. This income gap reflects relatively low labour productivity partially offset by one of the highest rates of labour resource utilisation in the OECD. While bank regulation and supervision has been recently reformed, structural reforms in the following areas are needed in order to return to sustained economic growth.

Priorities supported by indicators

Improve education outcomes

School dropout rates are high, international test (PISA) scores in reading and science are below average, and the overall efficiency of the education system is low.

Actions taken: The 2009 secondary education reforms will enable students to complete upper-secondary education more quickly and provide incentives for new and shorter study programmes to counter high dropout rates.

Recommendations: Strengthen school accountability for education outcomes. Adjust curricula to enhance the acquisition of core competences, especially in reading and science. Improve teacher quality in rural areas, where PISA scores are particularly low. Increase effective teaching time and student-teacher ratios to enhance efficiency.

Reduce producer support to agriculture

Agricultural producer support is high, burdening consumers and taxpayers and weighing on productivity.

Actions taken: No action taken.

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

Lower entry barriers for domestic and foreign firms

Ownership restrictions inhibit competition in the fisheries and electricity sectors.

Actions taken: No action taken.

Recommendations: Reduce foreign ownership restrictions in the electricity and fisheries sectors. Divest the National Power Company's generation activities, which benefit from a cost-of-capital advantage conferred by government ownership, to create a competitive market in electricity generation.

Other key priorities

Increase public sector efficiency

Decisions on resource use and programme management are weakened by inadequate performance information.

Actions taken: No action taken.

Recommendations: Introduce performance-based budgeting with key performance indicators and integration of evaluations of progress towards meeting performance objectives. Strengthen conflict of interest disclosure.

Reduce barriers to product market competition

Regulatory and administrative opacity inhibit competition across the domestic economy. Competition is also restricted by legal barriers to entry in the energy, telecommunications and transport sectors.

Actions taken: No action taken.

Recommendations: Review and reduce the number of licences and permits required and use plain language in regulations. Reduce entry barriers in the electricity, telecommunications, road-freight transport, air-transport, and airport and seaport sectors.

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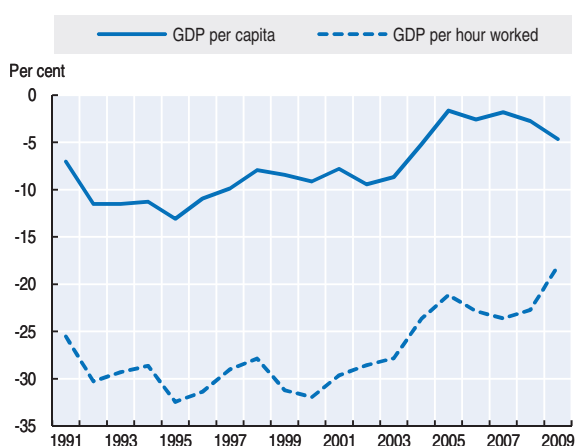
Structural indicators

Average annual trend growth rates, per cent

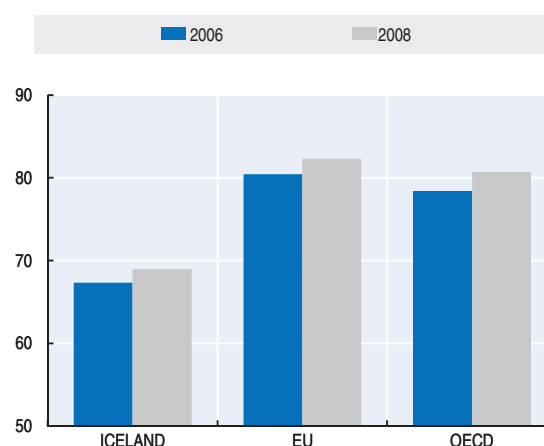
	1999-2009	1999-2004	2004-09
GDP per capita	2.2	2.7	1.8
Labour utilisation	-0.1	0.0	-0.1
of which: Employment rate	0.2	0.2	0.2
Average hours	-0.3	-0.3	-0.3
Labour productivity	2.3	2.7	1.9
of which: Capital intensity	0.6	0.3	0.8
Multifactor productivity	1.7	2.4	1.1

Source: Estimates based on OECD (2010), OECD Economic Outlook No. 88: Statistics and Projections Database.

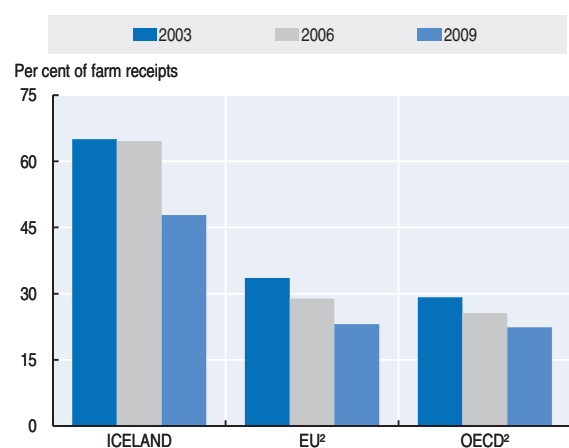
A. The gap in GDP per capita has slightly widened recently
Gap to the upper half of OECD countries¹



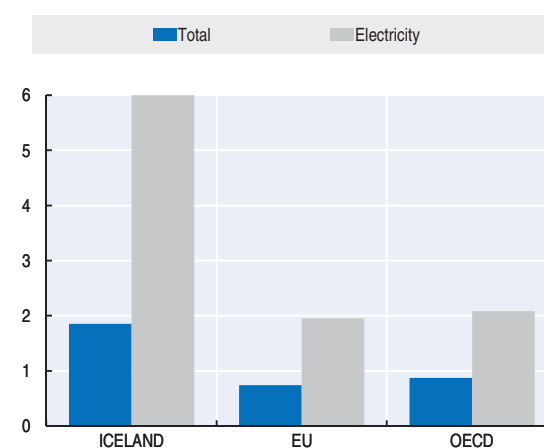
B. Upper secondary educational attainment is relatively poor
Percentage of the population aged 25-34



C. Agricultural support has declined but is still very high




D. Barriers to FDI are high, particularly in electricity, 2006³
Index scale of 0-6 from least to most restrictive



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs).
2. Average of European countries in the OECD. EU and OECD averages exclude Chile, Estonia, Israel and Slovenia.
3. The FDI regulation index looks only at statutory restrictions and does not assess the manner in which they are implemented.

Source: Chart A: OECD, National Accounts and OECD Economic Outlook No. 88 Databases; Chart B: OECD (2010), Education at a Glance; Chart C: OECD, Producer and Consumer Support Estimates Database; Chart D: Koyama, T. and S. S. Golub (2006), "OECD's FDI Regulatory Restrictiveness Index: Revision and Extension to More Economies", OECD Economics Department Working Papers, No. 525.

StatLink  <http://dx.doi.org/10.1787/888932373913>