Status assessment and options

Policy on public services
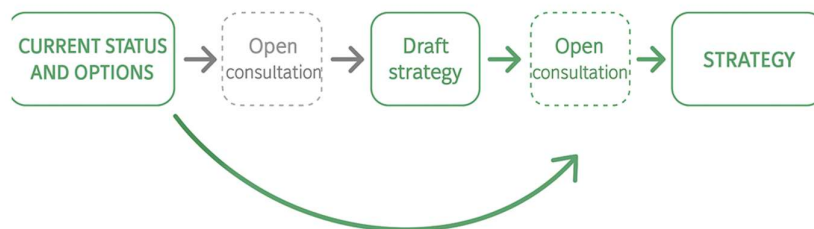
Government of Iceland

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Status assessment and options

Status assessment and alternatives is an analysis of a specific subject that the government has decided to look into further, in this case policy on public services. The status assessment will be submitted for open consultation on the consultation portal on the website of the Government of Iceland, where the public and stakeholders are invited to participate and present their views on the status assessment.

Status assessment and options contain information about the subject and its current status. The statistics available on the subject are compiled, both domestic and comparative statistics with other countries. The status assessment provides a good overview of the key issues ahead and the main ways or emphases in solving them.

In the preparation of the status assessment and alternatives, developers, partners and stakeholders are invited to participate and present their views and expertise on the issue.

1. Status assessment and options are part of the government's policy-making process

After consultation on the status assessment and options, the results are summarized and a strategy is formulated that includes a future vision for the issue and goals that mark the way along with emphases. A strategy usually follows an action plan.

Once a strategy has been drawn up, the public and stakeholders are given the opportunity to present their suggestions and views in a formal consultation process before a final position is formulated.

1. Reasons for policy formulation

We all use public services in our daily lives and they therefore affect us all. The purpose of this status assessment is to formulate a policy on public services in order to ensure good and affordable services in Iceland based on the needs of users, which is the basis for trust in society. The subject is very comprehensive, as there are many interfaces between the public sector and service providers are diverse.

Society is undergoing rapid change, and factors such as the changing age structure of the nation, increased diversity in society and rapid technological change come into play. Icelandic society evolves in line with various changes and events in international affairs and the experience of recent years has taught us that we need to be constantly ready for unexpected events and have the ability to deal with them together. In an economic context, the challenge is always to spend public funds wisely and responsibly based on the needs of the time.

The increase in the number of older people and the increase in immigrants also place different demands on the services than before, which it is necessary to be aware of and take into account when planning. It cannot be assumed that we can all use the service in the same way.

One of the most extensive changes in public services as we know them is taking place at the moment with the digitalization of the services. This change is primarily due to the changing needs of the public for services to be fast and to be available anywhere and anytime. Furthermore, technological advances have increased the opportunities for public entities to improve services significantly, which has pushed improvements in operations and thus changes in services. Similar developments in the provision of services in the private market have put pressure on an increased level of service in the public sector. Developments in artificial intelligence have, for example, increased the opportunities of the public sector in the utilisation of data and improved service delivery. Cyber security has become of great importance in the provision of public services.

In these circumstances, it is necessary to establish a policy on public services and to consider how to ensure that the services are in accordance with the needs of society at any given time. In 2021, the public sector policy on digital services was published and was deemed necessary to highlight the importance of digitalisation in public sector operations. Since then, the boundaries between services and digital services have in many ways disappeared and this policy will merge with the new policy on public services.

1.1 Policy framework and organisation

The Ministry of Finance and Economic Affairs is responsible for the affairs of government operations and plays a coordinating role in the administration of the public sector in accordance with a presidential decree and has led the policy formulation work.

The status assessment was carried out in collaboration within the Government and with the Icelandic Association of Local Authorities. Extensive consultation has taken place with the public, interest groups and public entities on how to streamline government operations and improve public services for the future.

The analysis also looked at the other Nordic countries and looked at the publications of the Organisation for Economic Co-operation and Development (OECD) and the European Union (EU) in order to analyse the situation and models in other countries. The policy formulation is also prepared in accordance with the UN's Sustainable Development Goals.

1.2 Scope of the subject matter

In Iceland, the public sector is divided into two levels of government; state and municipalities. In Iceland, the state is responsible for the largest part of the services, and the financial division between administrative levels is, for example, about 70% on the state side and 30% in the municipalities. Iceland is considered to be a country with a high level of state-controlled services compared to the other Nordic countries, where the lower levels of government provide a larger part of the services.

This policy applies to services provided by the state and municipalities, as there is considerable cooperation between administrative levels in the provision of the service, and it is important that the organisation is coordinated.

There are 147 government institutions[1] with offices all over the country, where over 23,000 individuals work in a variety of jobs.[2] In addition, the state has ownership in a number of companies and enters into cooperation agreements with various parties on the provision of services.

There are 62 municipalities and a diverse group of people work in over 25,200 full-time positions[3] who usually carry out tasks that are closer to the users than those of the state, such as services for people with disabilities and the operation of preschools and primary schools. Municipalities carry out various

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[1] Government of Iceland. (2025). *Institutions*. Stjornarradid.is. https://www.stjornarradid.is/raduneyti/stofnanir/

[2] State Financial Administration. (2025). *Number of employees and full-time equivalent positions*. Rikisreikningur.is. https://rikisreikningur.is/mannaudur

[3] The Association of Icelandic Local Authorities. (2025). *Yearbook of Municipalities*. Samband.is. https://www.samband.is/arbok-sveitarfelaga

tasks that are assigned to them by law, but can also, within certain limits, undertake other tasks that are not stipulated in law, such as the operation of swimming pools. The provision of public services is in the hands of all these parties who work on the basis of legislation that applies to the subject.

1.3 Underlying strategies

The policy on public services is published annually in the discussion of the fiscal plan, where the vision, objectives and indicators of the thematic areas are presented. It is also customary to issue policies on individual issues and subjects as appropriate, for example in health, education and infrastructure issues. Objectives and actions are then drawn up in the Minister's annual reports each year.

Various policies have been issued over the years that have had a major impact on the provision of public services, and they are discussed in the chapter on the effectiveness of current policies.

In addition, the government is bound by various special laws on the provision of services and conventions on human rights and on access to services and information, which are discussed in more detail in the chapter on legislation.

1.3.1 Priorities and reforms in the public sector

Each year's fiscal plan reviews the central reform projects that are being worked on by the government.

The fiscal plan for 2026-2030 states: "One of the greatest public interests is that public services are cost-effective and that operations are transparent. By constantly working on the progress of reforms in the public sector, simpler operations and improved services can be achieved."

Priorities are published annually in government operations aimed at improving services to the general public and businesses in Iceland through sustainable operations and strategic human resource management. In order to achieve this goal, factors are highlighted that all institutions should consider in their operations.

1.3.2 Policy on municipal affairs

Work is carried out in accordance with a parliamentary resolution on a strategic plan for municipal affairs for the years 2024-2038.[4] The vision and main objectives of the strategy are for Iceland to be at the forefront with solid and secure infrastructure, strong municipalities, value creation and progressive services. The government's objectives in local government affairs are to ensure that municipalities in Iceland become strong and sustainable and promote the

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[4] Parliament. (2024). *Parliamentary Resolution on a Strategic Plan for Municipal Affairs for the years 2024–2038 and an Action Plan for the years 2024–2028*. Althingi.is. https://www.althingi.is/altext/154/s/0686.html

democratic activity of residents, and that the self-government and responsibilities of municipalities are respected and the rights and access of residents to services are guaranteed as equally as possible. On the basis of the policy, work is being done on increased digitalisation in close collaboration with the digital task force Ísland.is.

1.3.3 Policy on digital services in the public sector

The policy on digital services for the public sector was published in July 2020 and covers the activities of the state and municipalities.[5] The objectives of the policy are increased competitiveness, better public services, safer infrastructure and a more modern working environment. The main channel of communication between the public and the public sector shall be through digital services.

The goal of better public services is to ensure that the public and businesses have equal access to excellent public services that are provided based on the needs of users in an efficient and cost-effective manner.

Emphasis on better public services is as follows;

1) Digital communication, through Ísland.is, is the main channel of communication between the public sector and the public and businesses.

2) Digital services are accessible to society as a whole and adapted to the needs of different groups.

3) The main rule is that data only needs to be recorded once in communication with the public sector and that data travels between institutions instead of people.

The reason for the policy formulation is to improve the service experience for users through increased digital services. The policy specifically states that with increased digital services, access to other service channels is not being excluded if people choose to use them.

1.3.4 A policy on the use of cloud solutions

Work is also being done to improve public services with emphasis in the policy on the use of cloud solutions.[6] Cloud services refer to services where the user can self-serve themselves online as needed at any given time, with regard to the use of computer systems, computing environments or computer infrastructure. Emphasis on digital services and user-centred service design have placed increased demands on institutions for fast and efficient service.

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[5] Ministry of Finance and Economic Affairs. (2021). *Digital strategy*. Island.is. https://island.is/s/stafraent-island/stafraen-stefna

[6] Ministry of Finance and Economic Affairs. (2022). *Policy on the use of cloud solutions*. Island.is. https://island.is/s/stafraent-island/stefnur-i-stafraenni-umbreytingu-policies-in-digital-transformation-stefnur/stefna-um-notkun-skyjalausna

Cloud solutions shorten the delivery time of IT services and contribute to faster, more cost-effective and more secure development and digital services. Cloud services also open up new use cases, e.g. in the field of artificial intelligence and deeper data analysis, which would otherwise be difficult or impossible to utilize.

1.3.5 Regional Development Plan

In June 2022, a parliamentary resolution on a strategic regional development plan for the years 2022-2036 was unanimously approved by Parliament and an action plan for the years 2022-2026.[7] The objectives of the plan are: a) Equal access to services, b) Equal opportunities for employment and c) Promote sustainable development in rural areas throughout the country. In connection with Measure A.15 Basic Public Services and Equalisation of Access, a definition of basic public services has been put forward and guidelines have been issued to the authorities on the formulation and implementation of policies with the aim of equalising access to essential services throughout the country.[8] The definition states: "... that basic public services are services provided by public entities, i.e. the state and municipalities, which are accessible to all inhabitants of the country and necessary to create satisfactory living conditions throughout the country. Basic public services are a prerequisite for people to be able to work, attend education and leisure activities and attend to other daily tasks and needs." The definition is intended for the authorities, both state and municipalities, to guide policy formulation and the organisation of basic services that aim to limit the need for residents to travel to receive the services, thus having a positive impact on the safety and opportunities for residents to participate in society and minimising costs and negative environmental impacts. In the draft definition of public basic services, the following classification is set for basic services:

1. Statutory services that public bodies are obliged to provide.

2. Legally authorised services and services that have traditionally been established despite the fact that the content of the service or minimum criteria are not prescribed by law.

3. Optional tasks that the government decides to carry out and provide support or assistance to residents.

4. Other service aspects, which ensure equality and equity among the inhabitants of the country.

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[7] Parliament. (2022). *Parliamentary Resolution on a Strategic Regional Plan for the years 2022–2036.* Althingi.is. https://www.althingi.is/altext/152/s/1383.html

[8] Ministry of Infrastructure. (2025). *Guidelines published on basic public services.* Stjornarradid.is. The Cabinet | Guidelines issued on basic public services

1.3.6 The state's human resources policy

The strategy "Human Resources in a Key Role", which was published by the Ministry of Finance and Economic Affairs in October 2025, is the first comprehensive government policy on human resources. It lays the foundation for focused and strategic human resource management in the public sector. The policy states that a prerequisite for outstanding public services is strategic and adaptable human resource management that creates a desirable working environment where the skills of employees can be fully utilised. With the implementation of the state's human resources policy, guiding criteria and procedures will be set forth that will be useful for targeted human resource management in government ministries and agencies. One of the key challenges for the next few years is to prepare the staff and operations of public services for the future. To that end, it is necessary to identify where digital services and human services apply, across the state.

1.3.7 Main legislation applicable to public services

In many parts of the law, demands are placed on the shoulders of the authorities in their dealings with citizens. Here is a brief discussion of the main ones. However, the coverage is nowhere near exhaustive.

The Administrative Procedure Act No. 37/1993 lays down the main principles of administrative procedure. The objective of the Act is mainly to ensure the legal security of the public in relations with the public sector. To that end, various rights of the citizen are laid down regarding both the handling and the substance of the case. All of them are of considerable importance in the provision of public services. The same can be said of non-statutory rules of administrative law, for example on careful administrative practices, which have been described as imposing an obligation on the government to take the citizen into account in its work. This means, for example, that it is efficient, open, legitimate and transparent.

The Administrative Procedure Act is not the only established law that is of significance in the provision of services by the public sector. The government has thus established a digital mailbox, which is covered by the Act on Digital Mailboxes in the Government's Central Service Portal No. 105/2021. They require public bodies to use the mailbox to share data that concerns the recipients' specific interests.

The Information Act No. 28/2012 is intended, among other things, to ensure transparency in public administration by strengthening the public's right to information and public trust in the administration. In addition to the general right of the public to access information, the Act specifically addresses the right of parties to information about themselves.

The government also has a duty to ensure equal treatment and access to public services. This applies, among other things, to Act No. 150/2020 on Equal Rights and Equal Status Irrespective of Gender and Act No. 85/2018 on Equal Treatment Outside the Labour Market. Together, the Act prohibits any form of

discrimination in the provision of services on the basis of gender, race, national origin, religion, philosophy of life, disability, age, sexual orientation, gender identity, sexual characteristics or gender expression.

Furthermore, the Act on Equal Treatment Outside the Labour Market also requires companies, institutions, NGOs and public bodies to make necessary and appropriate changes and adjustments, if necessary in a particular case, to enable a disabled person to benefit from or enjoy society outside the labour market on an equal basis with others, provided that such measures are not too onerous or beyond what can be considered normal. The Act is a part of the implementation of the United Nations Convention on the Rights of Persons with Disabilities in Iceland.

The government must also, like others, arrange its services in such a way that they meet the requirements of the Act on Data Protection No. 90/2018. They must also observe the provisions of Act No. 55/2019 on Electronic Identification and Trust Services for Electronic Commerce, especially when the service is provided digitally. It is also important that the authorities ensure the security of the network and information systems on which services to the public are based. Act No. 78/2019, on the Security of Network and Information Systems of Critical Infrastructure, introduced special obligations for operators of essential services, including many public entities. The Act aims to strengthen cyber security and resilience against cyber threats by setting minimum requirements for security measures and reporting obligations for incidents that can have a significant impact on the services provided by the systems.

In addition to the above, services in special areas are discussed in many places in legislation, such as in Act No. 40/2007 on Health Services and in various special laws on institutions and their activities.

2. Consultation

Public services affect everyone who uses them, whether they live in Iceland or come here as a guest and stay for short or long periods. However, various groups can be defined that are important to look at in particular, and a stakeholder analysis was carried out in order to identify those groups. The implementers of the strategy are all public entities and those who provide services on the basis of agreements with the state and municipalities. The partners of the strategy are ministries in the Government of Iceland and the Icelandic Association of Local Authorities.

This chapter describes how consultation with stakeholders, developers, partners was conducted and the results of this were outlined.

2.1 Stakeholders

Stakeholders are all users of public services and therefore various interest groups associated with them. Public bodies affected by the policy are also stakeholders. An annual service survey is conducted among the customers of government agencies, which provides good input into the needs and challenges of users, taking into account the consultation on economics in government operations, in which a large group of the public and stakeholders participated. In addition, various suggestions that have been made in discussions with stakeholders over the past few months are taken into account, such as consultation in connection with immigration policy and a national plan for people with disabilities. The Chamber of Commerce has also published material for suggestions on how to improve public services that are considered. Comments on the draft status assessment from an open consultation on the website of the Government Council will also be taken into account, and the main stakeholders are specifically advised to familiarise themselves with the material.

2.2 Implementers

The providers of public services are government agencies and municipalities as well as those entities that provide public services on the basis of service agreements thereon.

This policy includes all government agencies, a total of about 150. This group is considered very important for the implementation of the policy, as it is this group that has the most direct impact on how services are provided. A consultation was held on the State Management Day in the autumn of 2023 and all institutions had the opportunity to submit suggestions in connection with the Prime Minister's working group on economy in government operations. In addition, the Ministry of Finance and Economic Affairs is in regular consultation with managers in the public sector, including human resource staff.

Institutions that have a particularly high level of contact with the public are the institutions that many people need to turn to throughout their lives, and sometimes are named service institutions, a total of about 28 institutions. Special consultation was held with these institutions, such as the Health Institutions, the Icelandic Health Insurance and Social Insurance Administration, the Iceland Revenue and Customs, the Directorate of Labour and District Commissioners.

Consultation at the level of municipalities was through the Icelandic Association of Local Authorities and the subject was presented at meetings of the Association with different professional groups of the municipalities. At the 2024 financial conference of the Icelandic Association of Local Authorities, there was a consultation on the challenges and opportunities for municipalities in the provision of services that are taken into account.

2.3 Partners

Partners in the implementation of the policy are all ministries in the Government of Iceland and the Icelandic Association of Local Authorities. According to law, the ministries have a policy role in relation to their institutions. Performance evaluation and goal setting for managers is carried out through the ministries, and it is therefore very important to link such work to the policies that are in force for the services. The ministries also have the role of ensuring that institutions can carry out their tasks and are organised in such a way that success is ensured. The role of the Association of Local Authorities in Icelandic is, among other things, to be the joint advocate of the municipalities in the country and to work on their common interests and cooperation. These parties were consulted at meetings where the topic was discussed.

2.4 Comments from the consultation

Below you can see contributions from the consultation that has taken place and forms the basis for the policy formulation.

2.4.1 Consultation on Economics in Government Operations

At the beginning of 2025, the government called for a consultation with the nation under the title "Let's be economical in the operation of the state". The public, companies and stakeholders were invited to submit proposals, ideas and views on how to streamline government operations. A special call was also made for information and suggestions from the heads of government agencies and ministries.

A total of 3,985 comments were received through the government's consultation portal, along with 92 submissions from heads of government agencies. On the basis of the proposals, a working group on streamlining government operations submitted its recommendations to the government at the end of February 2025 and detailed work has been carried out on analysing the proposals within the Cabinet as a result. The main emphases that can be identified for improvements

in the operation of the public sector are to reduce and strengthen the number of public institutions, ease the regulatory framework, for example when it comes to personnel matters and reduce waste within the system. Improved utilisation of funds can also be achieved through various systemic changes, increased joint ventures and reforms aimed at stronger support services to government institutions and increased utilisation of technology and digital solutions.

In total, the ministries have defined over one hundred reform projects that will be worked on in the coming years that aim to streamline and improve public services on the basis of the consultation.

2.4.2 Government Service Survey

The State Service Survey has been conducted since 2020 and is key to continuous consultation with the public on the quality of the service. In general, there is great satisfaction with the services of government agencies, as satisfaction has increased in recent years. The main opportunities are to improve the speed of service. Experience of the employees' attitude comes out strongest and measures 4.6/5.0. The reliability of the service and general satisfaction with the service are also in the strength range. The results for 2025 are based on contributions from 79,554 respondents.

2.4.3 Regional population survey

The regional population survey was last conducted in the winter of 2023-2024. When asked about attitudes towards municipal services, 71% of respondents say they are rather to completely satisfied with the service in the last survey. This proportion was 83% in the 2020 survey, so satisfaction has decreased between surveys

The results of the surveys are further analyzed in Chapter 3 of the status assessment.

2.4.4 National Strategy for Persons with Disabilities.

In March 2024, Parliament approved the first nationalplan for people with disabilities in Iceland.[9] The plan includes 60 actions to implement the provisions of the United Nations Convention on the Rights of Persons with Disabilities. A large group of people worked on the preparation of the plan, with a total of 11 working groups working with project management. A representative of the organizations of people with disabilities led each and every working group, but the groups included representatives of interest groups of people with disabilities; Geðhjálp (Mental Aid), the National Association for Developmental

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[9] Ministry of Social Affairs and Housing. (2024). *The first national strategy for people with disabilities approved by Parliament*. Stjornarradid.is. https://www.stjornarradid.is/efst-a-baugi/frettir/stok-frett/2024/03/20/Fyrsta-landsaaetlun-i-malefnum-fatlads-folks-samthykkt-a-Althingi-/

Aid and ÖBÍ rights associations, representatives of municipalities and representatives of the Government Council, i.e. employees of ministries or their agencies.

During the preparation of the plan, open meetings were held all over the country to present the work and to obtain the views of people with disabilities, their families and professionals nationwide. A total of five hundred people attended the meetings.

On the basis of an analysis of the status of each provision and the comments made at meetings with stakeholders, it was decided to place great emphasis on accessibility in the national plan, as twelve measures aim to increase accessibility for people with disabilities. Having access to society on an equal basis with others is a fundamental right of people with disabilities. This refers to accessibility in the broadest sense; to structures, services and electronic services and data, as well as access to suitable housing.

It was also stated that there is a need for increased knowledge among public service staff of the rights of people with disabilities and ways to ensure their access to services with appropriate adaptation. Therefore, many of the actions in the plan are aimed at creating educational material and instructions for employees.

2.4.5 The Society of All of Us – Iceland's Future and Policy on Immigration

During the preparation of the policy on immigrant issues, a dialogue was convened around the country where immigrants were especially encouraged to participate. The aim of the conversation was to get the voices of immigrants across and ensure their perspective on the challenges in the field. Participation in the meetings was very good and about 500 people attended open meetings and meetings of focus groups.

A large part of public services relates to access to information, and the policy emphasises that public services reach everyone and support the needs of different groups. That people have the opportunity to receive information and gain an understanding of their rights and obligations in society. There is a great need for information in languages other than Icelandic. It was also stated that there was a need for increased training of staff in public services, e.g. on cultural literacy and cultural sensitivity.

It is important to promote opportunities and remove barriers to access to information and other basic services that are important for living in a society. Easy access to information increases people's independence, equalizes opportunities and contributes to a more sustainable society.

2.4.6 Consultation with state managers

At the State Management Day, which is held annually with the heads of government agencies, they have been asked about challenges and opportunities in operations. At the Management Day 2023, questions were asked

about what changes need to be made to the services in the coming years and to the institutional system. There is a great deal of harmony regarding digital and user-centred service provision. A large majority of respondents also say that the number of institutions needs to be reduced through mergers and increased cooperation between parties. Conversations with directors also highlight the importance of reducing demands on the administration, often referring to the fact that it is difficult to make changes and keep operations flexible in order to respond to an ever-changing environment. This is in line with the submitted submissions that were received through the consultation on economics in government operations.

2.4.7 Consultation with service agencies

A meeting was held with the main government service agencies on April 11, 2024, and the meeting was attended by 90 people from 28 institutions. There was a good mix between managers and experts at the meeting and people were spread out on tables to get distribution between institutions.

The most important challenges faced by users are, in the opinion of the group, the complexity of the service and reduced users' access to the service, as these two categories were by far the highest rated.

In the opinion of the participants, the most important opportunities to respond to the challenges of users are to greatly increase digital services, make them more proactive and further develop a mandate system so that as many people as possible can use digital services. It was also important to coordinate service provision with ticket systems and service centres.

The main challenges facing public bodies to improve services and make them more cost-effective are related to information technology issues and cooperation between public entities. This is followed by issues related to the capacity of institutions to provide services and legal requirements for administration.

When it comes to opportunities within institutions to improve services and increase efficiency, better IT operations with increased investment, criteria and data flow were most often apparent. This was followed by factors to improve the operation of institutions, including increased innovation and robust support services to institutions. It was also strongly stated that there is a need to merge institutions and increase cooperation, strengthen human resources and reduce legal requirements for administration, which often work against flexibility and response capacity.

2.4.8 Consultation with municipalities

The Icelandic Association of Local Authorities presented a survey at its financial conference in the autumn of 2024 on challenges and opportunities in municipal public services. A total of 106 parties responded to the survey, most of whom were elected representatives and managing directors of municipalities. The main challenges faced by residents when it comes to municipal services were

considered to be the complexity of the services and access to the services. The main challenges faced by the municipalities themselves in providing services are their ability to provide services, cooperation between the public authorities in this regard and legal requirements for administration.

2.4.9 Results of the consultation

The consultation identifies the main challenges and opportunities.

Main challenges

- Complexity and accessibility: Both residents and users of state and municipal services experience the services as too complex and access to them is reduced.
- Speed of service: Despite the general satisfaction with the services provided by government agencies, the main challenge is to improve the speed of the service.
- Decreased satisfaction with municipal services: Satisfaction with municipal services has decreased from 83% in 2020 to 71% in 2023-2024.
- Legal requirements and flexibility: Managers of government agencies and municipalities cite legal requirements as a barrier to flexibility and responsiveness to respond to an ever-changing environment.
- Lack of knowledge among employees: There is a need for increased knowledge among staff in the public service, especially about the rights of people with disabilities, cultural literacy and cultural sensitivity.
- Need for information in other languages: Immigrants have a great need for information and guidance in languages other than Icelandic.
- Information Technology and Collaboration: Organizations face challenges related to information technology and a lack of collaboration between public entities.

Main opportunities

- Increased digital services: There is a great deal of consensus on increasing and improving digital and user-centred services. Opportunities lie in making the service proactive and developing a mandate system to ensure that as many people as possible can take advantage of digital solutions.
- Streamlining and merging of institutions: There are various opportunities to achieve improved utilisation of resources by reducing and strengthening the number of institutions, increasing joint ventures and merging operations.
- Strengthening support services: Strengthening support services and increased innovation can improve the operation of institutions and increase efficiency.
- Improved data and technology: Increased investment in IT and improved data flow can greatly improve services and improve decision-making.

- Strengthening human resources and knowledge: It is important to strengthen human resources and offer training and guidance for employees, especially regarding the issues of people with disabilities and immigrants.
- Service coordination: Services can be coordinated with ticket systems and service centers to simplify the user experience.
- Simplification of the regulatory framework: Reducing the demands on the administration and simplifying the regulatory framework, for example in personnel matters, can increase flexibility and efficiency.
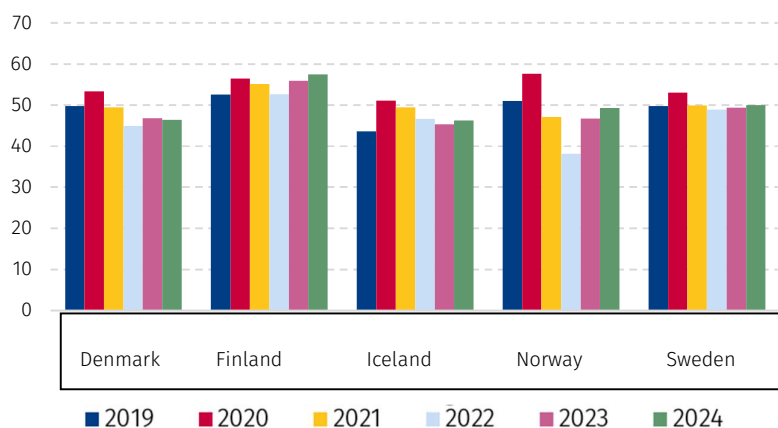
3. Status assessment

The status assessment was carried out by analysing the subject from various angles, such as the development of expenditure, an analysis of the composition of society, surveys and data from the OECD and the EU.

3.1 Development of expenditure

Public operations in Iceland are extensive and the proportion of services provided by the public sector is high in international comparison, as is the case in other Nordic countries that define themselves as welfare states. If we look at figures on the ratio of public sector employees to working people, Iceland is in third place among OECD countries after Norway (30.9%) and Sweden (29.3%), while in Iceland the proportion of the public sector is 28.2% and this proportion has been increasing in recent years. Denmark (28%) and Finland (25.4%) are closely followed by Iceland, while Japan (4.6%) has the lowest proportion[10]. As a percentage of GDP, public spending is also relatively high in Iceland by international standards, at 46.3% in 2024, but not unlike in the other Nordic countries.[11] These factors are indicative of the size of public services in Iceland, which also reflects the impact the services have on society.

1. **Public expenditure in the Nordic countries, as a percentage of GDP.**

The largest category of expenditure is financial contributions and transfers, such as social security payments, child benefits and housing benefits. This is followed by salaries for staff and the purchase of various services, such as

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[10] OECD. (2023). *Government at a Glance*. Oecd.org. https://www.oecd.org/en/data/dashboards/government-at-a-glance-2023.html#topic3

[11] OECD. (2025). *Government at a Glance 2025*. Oecd.org. https://doi.org/10.1787/0efd0bcd-en

schools, elderly care and health services. This type of expenditure, which is also called public consumption, gives the best picture of the scope of services and their development.

2. **Development of public consumption in millions of ISK at current prices.[12]**

As can be seen in the chart above, public consumption expenditure has increased considerably in recent decades, but it has nevertheless remained fairly stable as a percentage of GDP, while transfers and investment have been much more variable. The variability of displacements can be explained, among other things, by the fact that the displacement systems respond to economic shocks, such as increased unemployment.

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[12] Statistics Iceland. (2025). *Public consumption 1999-2024, quantitative change*. Hagstofa.is.
https://px.hagstofa.is/pxis/pxweb/is/Efnahagur/Efnahagur__fjaropinber__fjarmal_opinber__fjarmal_opinber/THJ05152.px

3.   Treasury expenditure categories as a percentage of GDP

Legend:
- - - - Transfers without measures
——— Transfers excluding unemployment benefits and without measures
——— Public consumption
——— Gross investment (right axis)
Year

Most countries predict increased expenditure on services for senior citizens in light of changes in the age structure of countries where the number of elderly people is increasing rapidly compared to young people. Increased costs are therefore foreseeable in the welfare systems of Western countries, and Iceland is not excluded from this, even though the nation is relatively young and there are more people in the labour market in Iceland than in other countries. The changed age structure of the nation requires further prioritisation of the funds that go into public administration if there is not to be increased taxation to meet the need for services.

3.2 Service Analysis

3.2.1 Government Service Survey

A survey of the services of government institutions[13] is an important part of assessing overall satisfaction with the services of the state, but also of monitoring the development of certain institutions. The trend in recent years has been that satisfaction with the service has increased when looking at total

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[13] Ministry of Finance and Economic Affairs. (2025). *Survey of the services of government agencies.* Stornarradid.is. https://www.stjornarradid.is/verkefni/rekstur-og-eignir-rikisins/konnun-a-thjonustu-rikisstofnana/

figures, but satisfaction with speed, reliability and interface is also examined. The survey is on a Likert scale of 1–5 and everything from 4.2 is rated in a strength range, which means that things are well done. Until 2024, the survey was only con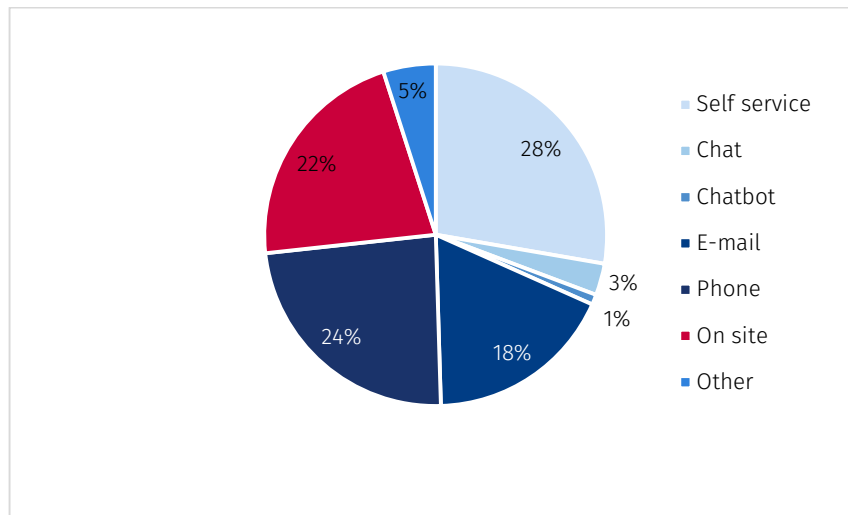ducted in an online panel and was then only asked in Icelandic, but in the 2024 and 2025 surveys, questions are conducted in real time in four languages, Icelandic, Icelandic Sign Language, English and Polish.

4.   Results of the State Service Survey.

The survey has also been an important indicator of the progress of digital services and clearly explains how the public uses the service and how the public prefers to use the service if they choose a service route. Until 2024, questions were asked about how people prefer to use services and in what way services are used. According to the results, most people use digital services and also choose to use digital services. When the data is analyzed further, it can be seen that interest in using digital services increases (57%) when excluding cultural, educational and health institutions that the public chooses to use services from in person to a greater extent. The results are discussed further under the chapter on gender and equality perspectives.

5.   **Government Service Survey 2023: how the public uses the services**

Pie chart — Government Service Survey 2023: how the public uses the services

- Self service: 28%
- Chat: 3%
- Chatbot: 1%
- E-mail: 18%
- Phone: 24%
- On site: 22%
- Other: 5%

6.   **Government Service Survey 2023: how people choose to use the service**

Pie chart — Government Service Survey 2023: how people choose to use the service

- Self service: 41%
- Chat: 6%
- Chatbot: 0%
- E-mail: 15%
- Phone: 17%
- On site: 20%

3.2.2 Regional population survey

The regional population survey[14] was last conducted in the winter of 2023-2024. Its purpose is to survey residents' attitudes towards living conditions, conditions in the labour market and their views on several important issues, such as satisfaction with municipal services. The survey is sent out in Icelandic, English and Polish. When asked about attitudes towards municipal services, 71% of

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[14] Regional Development Institute. (2024). *Regional Population Survey.* Byggdastofnun.is.
https://www.byggdastofnun.is/is/utgefid-efni/maelabord/ibuakonnun

respondents say they are rather to completely satisfied with the service in the last survey. This proportion was 83% in the 2020 survey, which means that satisfaction has only decreased between surveys. In the same survey, the respondents are asked how well they think the municipality seeks the views or opinions of residents, and 33% say that they have done it poorly, 43% say neither, and only 24% believe that consultation is done fairly well or very well.
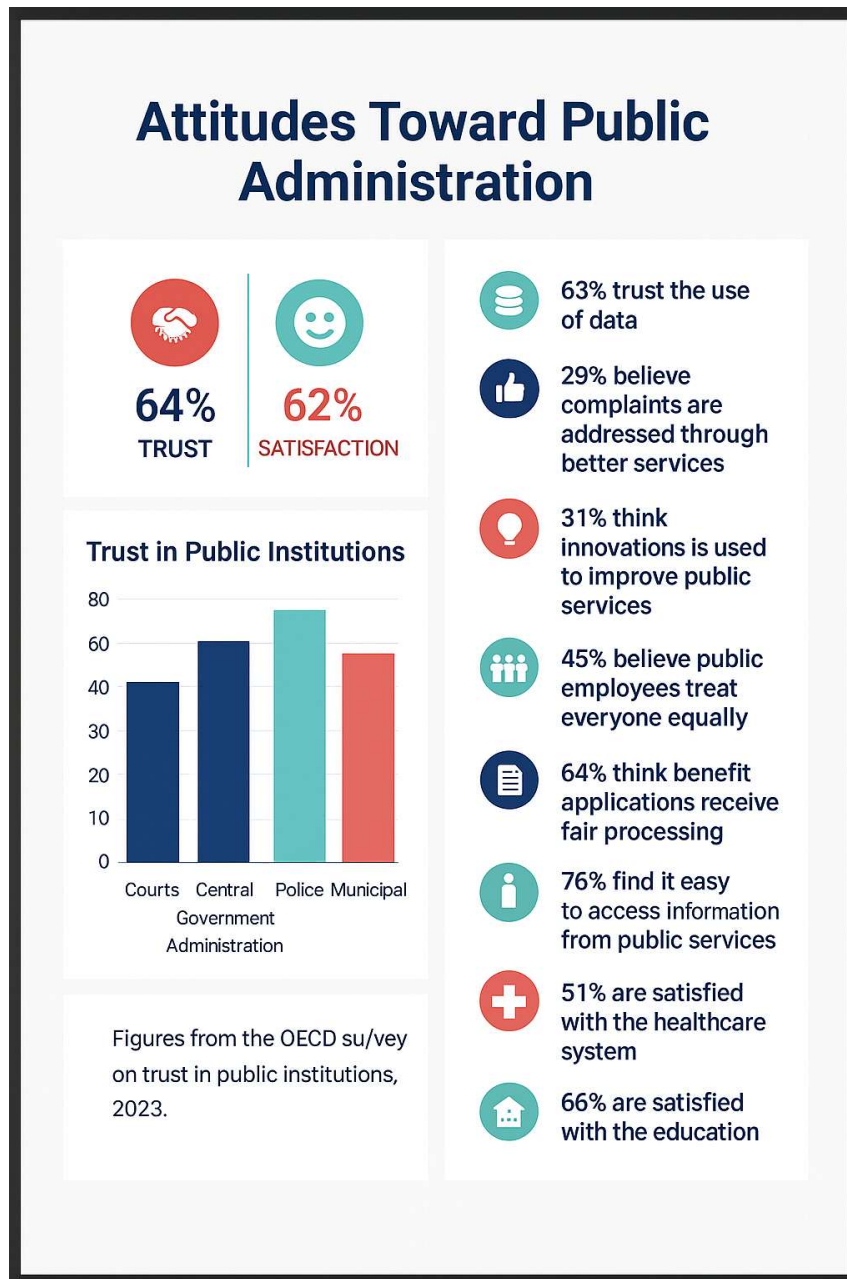
3.2.3 OECD Trust Survey Results

The OECD also conducts a survey on the quality of public services and trust in the public sector in Iceland, which shows attitudes towards various aspects of public services.[15] Satisfaction with public administration is high in Iceland in international comparison, with over 60% of respondents saying they are satisfied with the service and trust is high. However, satisfaction has decreased between years, both in Iceland and in OECD countries, and it is important to continue to monitor this development. The survey also asks about satisfaction with the education and health care system, where the majority are satisfied with the service, but at the same time, satisfaction has decreased slightly between measurements with the health care system, but satisfaction with the education system is increasing.

Questions are also asked about various aspects relating to the reliability and due process of applications, and it is clear that the appearance of these cases can be improved in Iceland. Despite this, the public has confidence that public bodies use data in a reliable manner and there is great satisfaction with access to information on public services. It is necessary to examine how suggestions to improve the service are responded to, and that people's perception is not that public bodies are using innovations to improve the service.
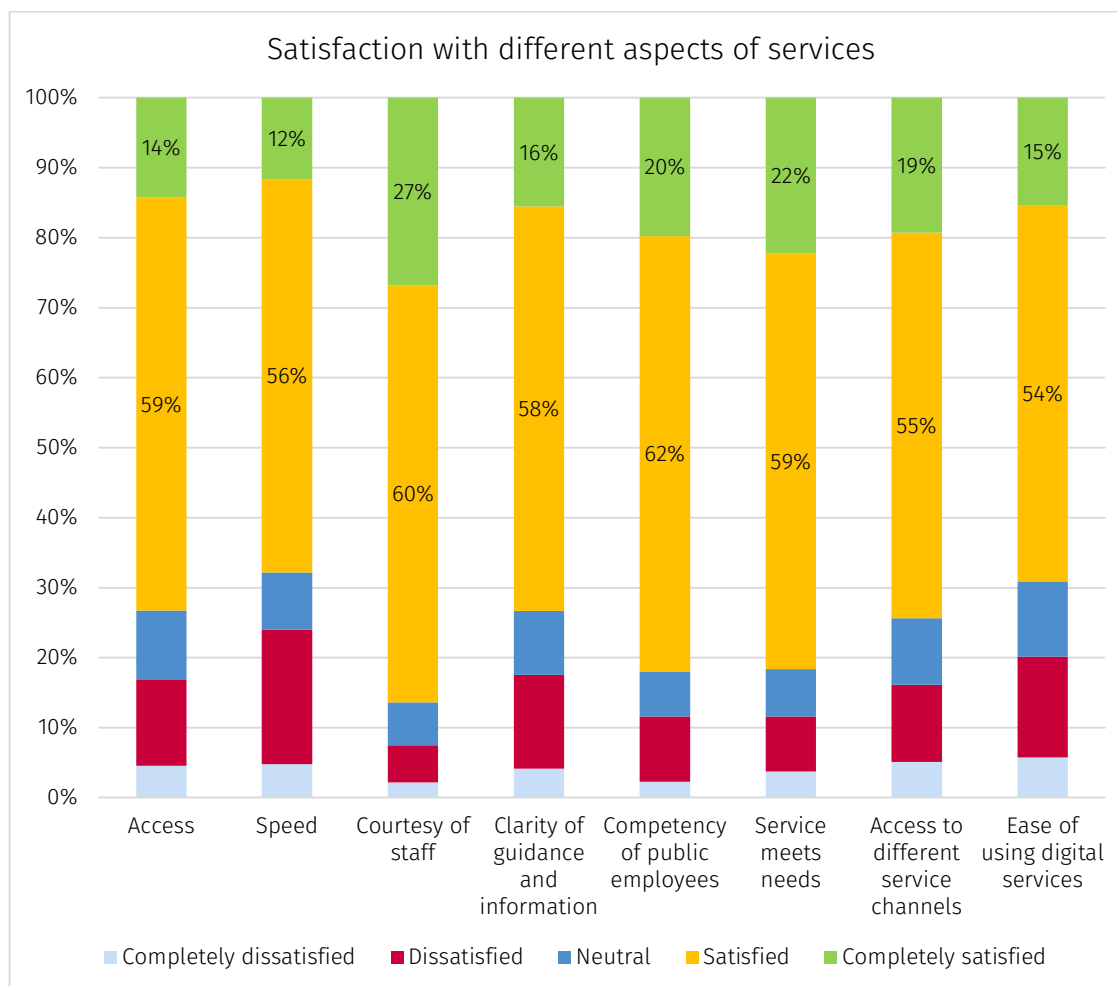
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[15] OECD. (2024), *OECD Survey on Drivers of Trust in Public Institutions – 2024 Results: Building Trust in a Complex Policy Environment.* OECD.org. https://doi.org/10.1787/9a20554b-en

7.   **Attitudes towards public administration according to the OECD survey.**

Attitudes Toward Public Administration

64% TRUST   **62%** SATISFACTION

Trust in Public Institutions

Courts   Central Government Administration   Police   Municipal

Figures from the OECD su/vey on trust in public institutions, 2023.

63% trust the use of data

29% believe complaints are addressed through better services

31% think innovations is used to improve public services

45% believe public employees treat everyone equally

64% think benefit applications receive fair processing

76% find it easy to access information from public services

51% are satisfied with the healthcare system

66% are satisfied with the education

The OECD survey also asks about several factors relating to people's experience of using public administration, more specifically their experience of using public services such as applying for passports, birth certificates, social assistance or unemployment benefits. It shows that the majority are satisfied with all the aspects asked, such as staff courtesy, accessibility and digital services. As can be seen in the state's service survey, the speed of service can be increased, which 68% are satisfied with.

8.   **OECD survey: satisfaction with different service components**

Satisfaction with different aspects of services

	Completely dissatisfied	Dissatisfied	Neutral	Satisfied	Completely satisfied
Access				59%	14%
Speed				56%	12%
Courtesy of staff			60%		27%
Clarity of guidance and information				58%	16%
Competency of public employees			62%		20%
Service meets needs			59%		22%
Access to different service channels				55%	19%
Ease of using digital services				54%	15%

3.2.4 Different service channels

Public services are currently provided through several service channels, and the supply depends to a large extent on the nature of the projects and the decisions of individual service providers in this regard. In Iceland, it is generally open for the main service channels, which are the following;

- Self-service on the website
- Phone
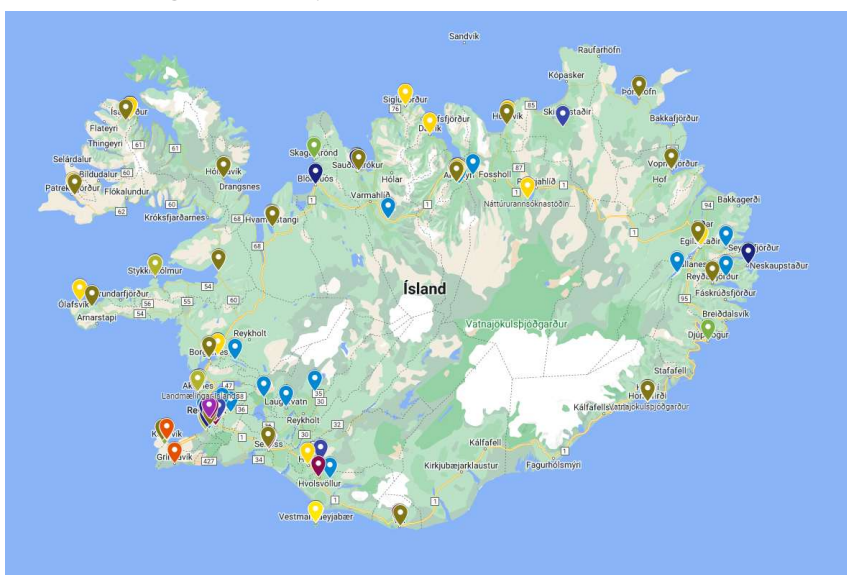- Email
- Online chat
- On site
- Chatbots

The government's goal is that it is possible to access all public services in one place, at the website Ísland.is, the service is provided based on the needs of users who similarly do not need to know all public service providers in order to access the service. In recent years, a lot of work has therefore been put into

simplifying information and access to public services online on Ísland.is and the health central website, Heilsuvera, as well as the digital services of municipalities have greatly increased.

A total of 52 institutions have moved their website to Ísland.is and the aim is to increase to 75 by the end of 2025. Traffic to the site is very high and is about 2.8 million monthly page views. In addition, 220 thousand Icelanders have downloaded Ísland.is the app and are active users about 31% each month. The chatbot Askur now answers about 20-30,000 inquiries per month, where only a person's assistance is needed in about 8-10% of cases. Experience shows that communication via e-mail and phone calls is simultaneously rapidly decreasing in customer service at Ísland.is which is particularly interesting as the use of the web has increased significantly.

In-person services are provided all over the country. 220 offices and/or outlets are operated by the public sector across the country, not including offices of municipalities, the police, courts, kindergartens, primary schools, universities or health care systems. The public sector also provides various other services that can be seen on the Regional Development Institute's service map.[16]

9. The Regional Development Institute's Service Card

The District Commissioners (sýslumenn) are the institution that operates the most extensive network of services throughout the country, with 27 offices, and also offers services to other institutions such as the Social Insurance Administration, the Directorate of Immigration and the Icelandic Health Insurance in rural areas. Since District Commissioners are often the only government institution in the local area or the only one that plays this diverse

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[16] Regional Development Institute. (2025). *Service map*. Tjonustukort.is. https://thjonustukort.is/

role in the administration, a tradition has developed to regard District Commissioners as a kind of service center in the district. Efforts have also been made for a long time to further strengthen their role in the provision of services across public services in order to improve public access to public services throughout the country. Institutions such as the Directorate of Labour and the Iceland Revenue and Customs also have branches all over the country where people can access the service in person, but these services are not as extensive/varied as those provided by district commissioners.

3.2.5 What is the cost of the service?

Service plans vary in cost for both service providers and users. The cost to individuals and thus to society is high when the person has to come to a certain place to use the service, drive to the place, take time off work and so on. By moving services to self-service online, it is possible to access it anywhere and anytime. This is also to ensure as equal access to public services as possible for those who find it difficult to access them, for example due to residence. Digital services can also be a major equality issue for those who have disabilities and find it difficult to attend the location. A great deal of work is being done to increase access to digital services for all and thus meet the needs of those groups that find it difficult to use such services today.

The cost of the service provider depends to a large extent on how manpower intensive the service is. Analyses abroad show examples of in-person services being up to fifty times more expensive than self-service services on the web. For some public services, the average cost of digital services is almost 20 times lower than the cost of services over the phone, about 30 times lower than the cost by mail.

3.2.6 Utilisation of data

The utilisation of data is a prerequisite for good service and communication with individuals and companies. Technological advances, the ever-increasing volume and complexity of accessible data are both a challenge and an opportunity for the government. Data is basically of three types, specific, general and open. Specific data concerns individuals and companies and enables the government to provide them with information about their rights and obligations, directly and indirectly. General data makes it easier for the government to make more informed and better decisions and is related to e.g. operations and patterns of behaviour in society. The utilisation of specific and general data in context therefore provides significant opportunities for value-added services and is conducive to increasing trust in society and promoting further innovation. It is important that it is easy to use relevant data across the state system in order to achieve the results described here. By increasing the quality and accessibility of open data to third parties, public services can also be improved and value created in society.

Efforts are being made to facilitate the sharing of data between public entities in Iceland through Straumurinn, which is a secure data communication layer

based on data that the public sector knows about individuals being shared within the public sector for the clear purpose of improving services. In a conversation with public bodies, it is stated that work still needs to be done to improve the utilisation of data within the system in order to increase efficiency, and this is one of the points that comes out most strongly in the analysis of challenges within the system.

In addition, the use of artificial intelligence by public bodies has increased dramatically in just a few years. According to the Ministry of Finance and Economic Affairs' 2025 survey on artificial intelligence and artificial intelligence solutions, 89% of the government entities that responded to the survey use artificial intelligence solutions to some extent.

Artificial intelligence solutions are a powerful tool for innovation and the enhancement of services and can create great value for the public sector. Data design is a prerequisite for being able to utilise AI to a greater extent in government services. At the same time, ethical and legal standards need to be considered when they are implemented. Guidelines have been issued for public entities that use or intend to use artificial intelligence in their operations.[17] The content is intended to encourage public bodies to take advantage of the opportunities offered by AI to improve public services, increase their efficiency and productivity in their work in a responsible, transparent and reliable manner. According to the Global AI Index[18], Iceland is in 40th place when comparing investment, innovation and the implementation of artificial intelligence between nations.

The situation in Iceland regarding the utilisation of data within public operations and in service provision is poor. Both international comparative surveys and internal surveys bear witness to this. According to the OECD's OURdata survey[19] from 2023, Iceland sits in 34th place out of 37 when it comes to the government's efforts to design and implement an open data policy. According to a similar survey conducted by the European Union, EU Open Data Maturity from 2024[20], Iceland ranks 31st out of 35 when it comes to the level of maturity of data infrastructure and policy making for open data.

Institutional managers also state that investment in information technology and data infrastructure is one of the main obstacles to data utilisation, see

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[17] Ministry of Finance and Economic Affairs. (2025). *Artificial intelligence in the public sector.* Stjornarradid.is. https://www.stjornarradid.is/verkefni/upplysingataeknimal-rikisins/gervigreind-hja-hinu-opinbera/

[18] Stanford University. (2024). *Artificial intelligence index report 2024.* Tortoisemedia.com.- https://www.tortoisemedia.com/data/global-ai

[19] OECD. (2023). *2023 OECD Open, Useful and Re-usable data (OURdata) Index: Results and key findings.* OECD.org. https://doi.org/10.1787/a37f51c3-en

[20] European Union. (2024). *2024 open data maturity assessment – how did European countries do?* Data.europa.eu. https://data.europa.eu/en/publications/open-data-maturity/2024
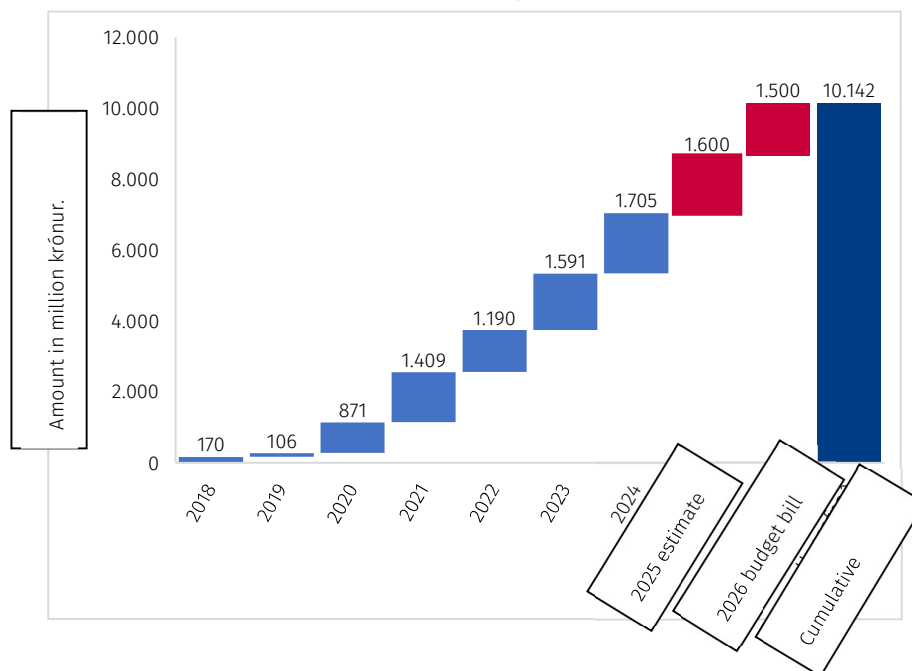
discussion in Chapter 2. A positive first step towards increased coordination was taken in 2025 when the position of state data manager was hired at Digital Iceland. One of the key roles of the job is to increase consistency in data structure and data infrastructure.

3.2.7 State of Information Technology

Information technology is so integrated into the day-to-day operations and services of the public sector that it can be difficult to distinguish between what is technology-related and what is not. Few things in modern society are done except through hardware or software or data that resides in IT systems.

IT operations are mostly decentralized, i.e. institutions are responsible for their own IT operations. Without coordination, e.g. with basic technical criteria, such an arrangement is less efficient than it would otherwise be. The efficiency of Digital Iceland's centrally developed core services is considerable, e.g. the login service for electronic IDs and the central service portal ísland.is. The core services in question and their implementation in the institutional system, in parallel with changes in internal and external service processes, promote increased productivity and more coordinated services across the system. Furthermore, Digital Iceland's technical criteria and policies are intended to increase consistency in both backend and frontend systems. The Icelandic government has systematically invested in core digital services. Apart from investment in infrastructure and physical infrastructure, investment in digital infrastructure will be the largest investment Icelandic the state in recent years, or about 10,100 m.kr in 2017-2026.

10. Accumulated software assets each year at nominal value

The technology debt of public entities is considerable, as an analysis by the Ministry of Finance and Economic Affairs from 2022 revealed.[21] Modernizing older information systems is a huge task, time-consuming, costly and complex. The analysis was carried out to get an overall picture of the status of the systems and the possible scope of the project. Subsequently, it was decided to reserve temporary capital over a three-year period (2024-2026) to support investment in the renewal of older systems. Special efforts have been made to support systemically important software and where organizations are in a difficult or locked negotiating position with their technology suppliers.

The operation of information technology accounts for about 2.5% of the state's operating costs. In international comparison, it is on the lower side, but in the main comparison countries the cost is 3-5%.

3.3 Society and environment

This chapter paints a picture of the development of various social issues that can play a role in the formulation of policy. An analysis was made of the main points of view on society and the environment, summarizing the current situation and pointing out opportunities for improvement.

11. **Analysis of perspectives on society and the environment**

Subject	Position	Opportunities for improvement
Access to services	• Access to in-person services varies depending on where you live. • Not everyone has the opportunity to use services in person due to a disability. • Not everyone can have electronic ID due to disability, for example, and thus access digital services. • Limited digital skills. e.g. older people and people with disabilities, affects access to digital services and can make individuals more dependent on assistance from relatives. • Women are more likely than men to run errands on behalf of family and assist family members.	• Digital services reduce the time spent on administrative errands and improve access for those who have difficulty attending the location. • Continue to develop a mandate system so that everyone who chooses can use digital services. • Access to different service channels must be ensured and that those who request it can access services by phone or on site. • Increase society's digital competence. • Organization of services around life events. • Emphasize that institutions use the services of Digital Iceland and thus work according to

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[21] Ministry of Finance and Economic Affairs. (2022). *Renewal of older information systems*. Stjornarradid.is. https://www.stjornarradid.is/?PageId=ea97f92d-f09e-4bc5-aa52-66229113f1f2

	• With increased digitalization, travel and paper use for the use of public services has decreased, thus reducing the negative environmental impact.	coordinated processes that ensure accessibility for all.
Service interface	• Those who need additional assistance in accessing services, e.g. older people and immigrants, are often best suited to receive assistance in person. • Immigrants experience language barriers, and less knowledge of Icelandic society can affect their access and experience of services. • For various reasons, not everyone who should have changed their gender registration in the National Registry and therefore do not always receive services and interfaces in accordance with their perceived gender.	• Access to different service channels must be ensured and that those who request it can access services by phone or on site. • The availability of information in languages other than Icelandic can be increased and the services can be presented in places that immigrants are likely to see. The availability of information in easy-to-read language could also be increased.
Registration of data	• Data on the service experience needs to be improved and all voices need to be heard. There is a lack of data on the use of public services that are broken down by different background variables. • There is a lack of data on unpaid work related to the use of public services.	• It must be ensured that institutions can disaggregate their data according to different background variables. • A time use study conducted by Statistics Iceland in the autumn of 2023 could provide information on the time spent accessing public services, both for themselves and others. • Improve service surveys so that they reach everyone in society and are carried out more often.
Staff	• The majority of public service workers are women, and jobs that are greatly affected by the digitalisation of services are mostly carried out by women. • There is a gender deficit among staff working on the digitalisation of services. • Digital skills of staff not sufficient. • Increased digital services increase flexibility in the location of employees, but on the other hand, it is not guaranteed that jobs will remain in specific locations.	• Access to appropriate retraining resources must be ensured for employees who are greatly affected by the digitalisation of services. • Emphasis could be placed on the diversity of teams in tenders due to work on digitalization of services. • Assess digital skills and increase them as needed.

3.3.1 Gender and equality perspectives

According to Article 30 of Act No. 150/2020 on Equal Status and Equal Rights Irrespective of Gender, gender mainstreaming and equality perspectives shall be ensured in all policy formulation and planning carried out by ministries and public institutions. According to the same Act, multiple discrimination shall also

be combated, i.e. when an individual is discriminated against on the basis of more than one reason for discrimination that is protected under the Equality Act, Act No. 85/2018 on Equal Treatment Outside the Labour Market and Act on Equal Treatment in the Labour Market No. 86/2018. When integrating gender and equality perspectives, it is therefore appropriate to take into account the following factors: gender, ethnic origin, religion, philosophy of life, disability, age, sexual orientation, gender identity, sexual characteristics or gender expression.

There were 211,593 men, 196,303 women and 207 non-binary people living in Iceland in June 2025, according to registration in the National Registry. Over the past decade, the age composition of the population has changed, and according to Statistics Iceland's data from March 2024, the number of people aged 0–19 has decreased from 47.1% to 41.2% of the working-age population, while the proportion of older people (65+) has increased from 22.7% to 26.0% and has never been higher. The proportion of foreign citizens was 16.6%, compared to 6.6% in 2014. Poles are by far the largest group of foreign citizens in Iceland, or 35.7% of all foreign citizens in March 2024. Polish men were at that time 36.7% of all men with foreign citizenship and Polish women were 34.5% of foreign female citizens. The second largest group of foreign citizens was from Lithuania, 7.2%, while 5.6% of foreign citizens come from Ukraine.[22]

In connection with the provision of public services, diverse equality perspectives must therefore be considered. Gender is a key variable, but it is important to pay special attention to marginalized groups and those who find it more difficult to access the services through the service channels available.

Different groups use different services to varying degrees and in different ways. Thus, it can be assumed that the sexes use public services to different extents and in different ways, and changes in service provision therefore have different effects on women, men and women. The same applies to people of different ages, and access and experience can vary depending on factors such as origin, disability, and gender identity.

In the government service survey, it is possible to see people's experiences of the services of state entities. Where gender, age and place of residence are looked at, as well as the 2024 and 2025 surveys also look at responses by language; Icelandic, English and Polish. The survey asks about satisfaction with service, speed, reliability and the attitude of employees. When these factors are examined, it can be seen that there is little or no difference in the attitudes of men and women towards the services, but men are happier than women. There is also little difference depending on age, place of residence and language.

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[22] Statistics Iceland. (2024). *The country's population was 383,726 at the beginning of 2024*. Hagstofa.is. https://www.hagstofa.is/utgafur/frettasafn/mannfjoldi/mannfjoldinn-1-januar-2024/

The organisation and framework of public services also affect the staff they provide. When looking at the composition of the public sector, women are in the majority, as in most other countries, as the proportion of women is higher in the largest public service sectors, i.e. in the education system and health and welfare services. Women with primary or secondary education are in the majority of those who perform jobs that are greatly affected by the digitalization of services.

It must be ensured that the policy maintains or promotes equality. When defining key topics and formulating priorities for the coming years, consideration will be given to how negative effects can be reduced, positive effects can be strengthened or maintained, and work with neutral effects and promote positive effects.

3.3.2 Regional perspectives

More than 140,000 individuals lived outside the capital area at the beginning of 2025, according to figures from Statistics Iceland, which is 36% of the population.[23] Around 90,000 individuals lived outside the work and service area of Reykjavík and the capital area, which is defined by the area between Hvítá and Hvítá, i.e. from Reykjanes, east to Selfoss and north to Borgarnes, which makes up about 23% of the population. Access to and availability of services have a significant impact on people's livelihoods and it can therefore be of great importance for regional development to ensure good access to public services throughout the country. The objective of the government, according to the Regional Development Plan, is to provide equal opportunities for all Icelanders to work and services, to equalise living standards and to promote the sustainable development of regional communities throughout the country.
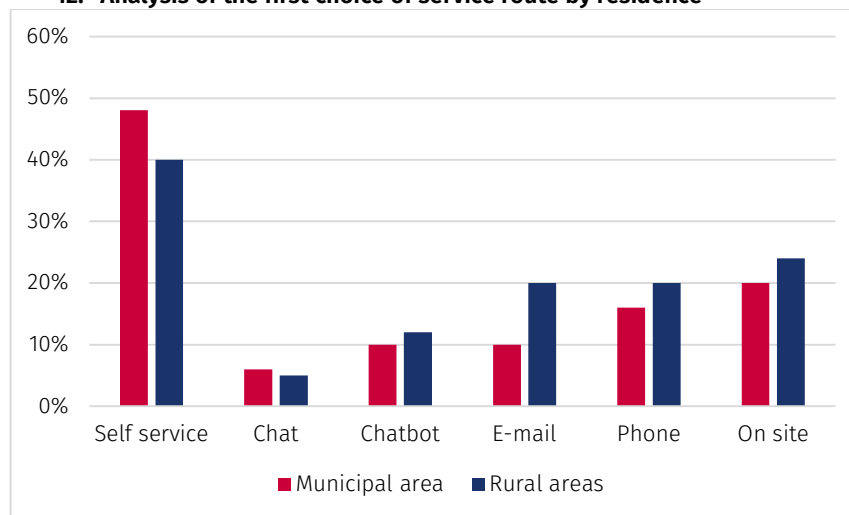
On Statistics Iceland's website, you can see how the population composition by nationality is divided between municipalities, but the composition of the population can have an impact on how services are provided. According to the agency's analysis from March 2024, it says: "Proportionally most foreign citizens live in the Suðurnes region, or 26.8% of the total population of the region. Only 9.7% of the population in the Northwest have foreign citizenship and 9.9% of the population in the Northeast. In individual municipalities, the proportion of foreign citizens was highest in Mýrdalshreppur, or 58.0% of the population, and it is also the only municipality where foreign citizens are in the majority of the population. This is followed by Skaftárhreppur, where 37.3% of the population has foreign citizenship. The municipality with the lowest proportion of foreign

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[23] Statistics Iceland. (2025). *The country's population was 389,444 at the beginning of 2025.* Hagstofa.is.
https://www.hagstofa.is/talnaefni/ibuar/mannfjoldi/sveitarfelog-og-byggdakjarnar/

citizens is Skagabyggð, with only 3.5% of the municipality's inhabitants having foreign citizenship."[24]

The interest of people in rural areas to use different service channels was identified in the state's service survey. It can be seen that most people choose to use digital services (40%), but that proportion is still lower than among residents of the capital area (48%).

12. Analysis of the first choice of service route by residence

The location of public sector jobs is also of great importance when it comes to regional development, as ministries and government agencies are required to advertise jobs on a non-local basis unless the nature of the job requires a specific location. Increased digitalisation of jobs has made it possible for people to work some jobs from anywhere, and therefore this development can have a positive impact on people's ability to move to smaller communities. According to figures from the Regional Development Institute, the proportion of full-time equivalent positions in the state outside the capital area, at the end of 2023, is 30%, of which just over 44% of full-time equivalent positions are in the Ministry of Health's policy category.[25] When it comes to the organisation of public sector operations, it is therefore important to examine the location and composition of the institutions that provide the service from a regional perspective.

[24] Statistics Iceland. (2024). *The country's population was 383,726 at the beginning of 2024*. Hagstofa.is. https://www.hagstofa.is/utgafur/frettasafn/mannfjoldi/mannfjoldinn-1-januar-2024/

[25] Regional Development Institute. (2023). *Full-time equivalent positions for the state*. Byggdastofnun.is. https://www.byggdastofnun.is/is/utgefid-efni/maelabord/rikisstorf

3.3.3 The business community

Public sector activities have a far-reaching impact on the competitiveness of the economy, from whether the service is run by the public or private sector to ensuring efficiency in the handling of cases.

The Chamber of Commerce, which is a joint forum for the Icelandic business community, has, for example, published reports urging to increase the efficiency of society by increasing digital services in the public sector, reducing the number of institutions and reducing the regulatory burden on the business sector. It is also encouraged that the public sector should exit the competitive market and that the private sector's accessibility to the provision of public services should be improved.[26]

3.3.4 Environment

Public activities can have a considerable environmental impact, both in terms of how people use the service but also in terms of how institutions organise their internal work. In order to meet these challenges, three main priorities have been emphasized. Firstly, there is an emphasis on increasing digital services. Digital services are the route that has the least environmental impact both within the government and for users, but by reducing the number of people's journeys between public entities, emissions and strain on the transport system are significantly reduced. Digital services can also reduce the use of paper and the space that operations need to use. Secondly, great emphasis is placed on reducing the number of trips between institutions and abroad through the use of technology, but with a coordinated office environment of the state, for example, the number of trips to meetings in Iceland and abroad has decreased considerably. Thirdly, the Green Steps in Government Operations project involves institutions taking steps to reduce their environmental impact.[27] A total of 197 workplaces have completed all five steps, thus having a positive impact on the environment and environmental awareness of employees.

3.4 Success of the previous strategy

In this chapter, current policies are summarized with regard to the objectives or benefits that were pursued. Various committees have worked on audits of the institutional system and come up with proposals for reforms. The National Audit Office has also commented regularly on the subject. The agency's latest report, Government Institutions, Number, Size and Economies of Scale, states that there is reason for further mergers and collaborations between public institutions

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[26] Chamber of Commerce. (2024). *Report of the 2024 Business Congress*. Vi.is. https://www.vi.is/skyrslur/skyrsla-vidskiptathings-2024

[27] The Environment and Energy Authority. (2025). *Green Steps*. Graenskref.is. *https://graenskref.is/*

and that increased opportunities need to be sought in digital services and joint ventures.[28]

3.4.1 Reforms and new structure in state operations

In 1993, the report *Reforms and New Structure in State Operations* was published, [29] which provided a new perspective in relations between ministries and agencies. Increased independence was transferred to institutions in operational matters on the basis of performance agreements. The policy discusses that one of the main tasks of the government is to ensure that institutions provide citizens with the services they are entitled to according to law. At the same time, the budget was being developed in the direction of the framework budget. Centralization of the affairs of government agencies was reduced and agencies had greater influence on the resolution of their operational issues, which were to be evaluated on the basis of performance in their work and not the size of their budgets. In particular, there was talk of institutions setting service goals with users at the forefront and the possibility of increasing users' freedom of choice through prescriptions for services that could be provided by more than one party or form of operation was discussed in order to increase the awareness of institutions to provide good services.

Following the report, a policy on the New Structure of State Operations was published, which frames the path described above.[30] It talked about the importance of merging institutions to promote simpler and more efficient government operations, and the use of information technology in services was presented. Similar developments in decentralization were also present in other Western countries. This policy was one of the main driving forces behind the sharp decline in the number of government agencies in the years that followed, and its influence can still be felt in Icelandic administration.

In the wake of the last economic crisis, there has been a certain turnaround in terms of decentralization, and more and more countries are emphasizing that certain public sector activities are provided centrally. So-called service centres that provide central services to institutions have in many places become stronger than before in order to increase efficiency in operations and relieve institutions from carrying out certain operational tasks. In Iceland, these are institutions such as the State Financial Management Agency and the Construction Administration-State Assets that provide central services.

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[28] National Audit Office. (2021). *Government Institutions. Number, size and economies of scale.* Rikisend.is https://www.rikisend.is/reskjol/files/Skyrslur/2021_stofnanir-rikisins_fjoldi-staerd-staerdarhagkvaemni.pdf

[29] Ministry of Finance and Economic Affairs. (1993). *Reforms and Restructuring in State Operations.*

[30] Ministry of Finance and Economic Affairs. (1993). *Restructuring of State Operations.*

One development in this context is to emphasise that public services are provided in a coordinated manner in order to make it easier for users to access the services. The government's digital mailboxes are an example of such a decision, as institutions are required to use this way of communicating with the public based on the argument that there is better service to the public. Ísland.is, the health care website Heilsuvera and the health system's telephone number 1700 are all examples of such developments. This plays a role in the policy that it is not necessary for the public to know from which institution the service originates, only that the service is provided in a good and efficient manner and thus institutions unite around the service provision, e.g. on one website or service core.

3.4.2 Policy for effective government operations

Efficient services in a simple and cost-effective manner are the motto of the policy published by the Ministry of Finance and Economic Affairs in 2007, Policy on Effective Government Operations.[31] The policy is set on the basis of a new structure in central government operations, but more needs to be done and increased efforts must be made to reform government operations and sharpen government policy. In the policy, success is a key concept, as is the right of people and companies to good service that is provided in an efficient and cost-effective manner. Various progress projects have been carried out on the basis of the policy, such as the emphasis on digital services and improved data communication between public services. Emphasis is placed on improving cooperation between institutions in order to improve citizens' access to the services that have certainly been worked on through Ísland.is.

3.4.3 Simpler state system with more focused management of institutions

The report "A simpler state system with more effective management of institutions" discusses changes to the state's institutional system with the aim of making the system more comprehensive, efficient and flexible.[32] The Task Force, which was appointed in 2014, put forward proposals for comprehensive legislation on the institutional system, increased flexibility in the establishment and dissolution of agencies, and clearer rules on the operating form and senior management role of ministries. Emphasis was also placed on improving the working environment of directors and defining the roles and responsibilities of the boards of institutions. The report builds on previous analyses and proposals and proposes extensive changes to improve the administration and operation of government agencies.

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[31] Ministry of Finance and Economic Affairs. (2007). *Policy for effective state operations.*

[32] Ministry of Finance and Economic Affairs. (2015). *A simpler state system with more focused management of institutions.*

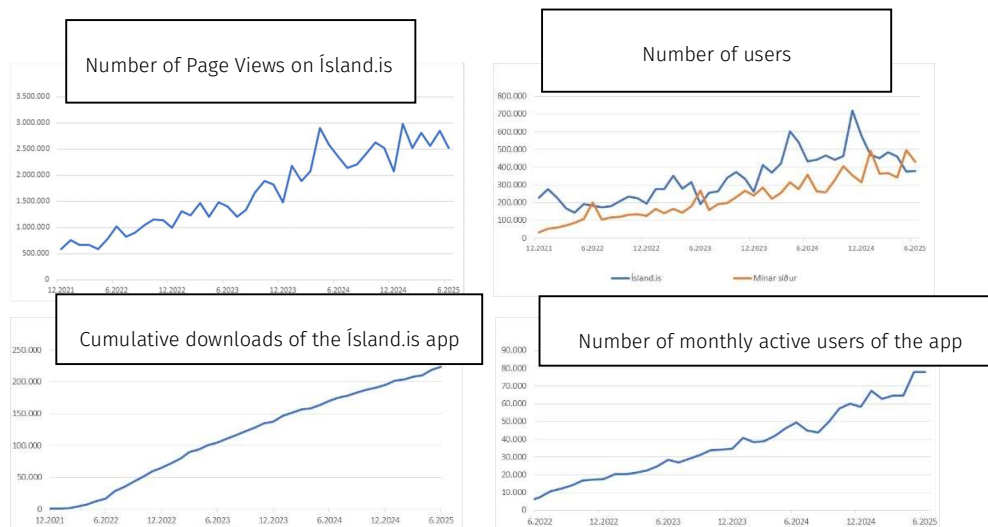### 3.4.4 Policy on digital services in the public sector

The policy was published in 2021 and systematic work has been done to achieve its objectives, see section 1.3.3. Investment in digital infrastructure, e.g. the core services of Digital Iceland, has played a key role in this. One measure of the success of the policy is comparison in an international context. Digital services in Iceland have moved higher in recent years. The EU eGov Benchmark[33] measures user-centric services, transparency in service processes, core systems and services across borders. Iceland's ranking of 27 countries since 2019 has been as follows:

13.   Results of the EU eGOv Benchmark

EU eGov Benchmark	2019	2020	2021	2022	2023	2024
Iceland	20	11	7	4	4	4

Another metric is the use of the population with the central service portal ísland.is which is constantly growing, as the following figures show.

14.   Trends in the use of Ísland.is

Number of Page Views on Ísland.is

Number of users

Cumulative downloads of the Ísland.is app

Number of monthly active users of the app

3.4.5 Strategic Plan for Municipalities for the years 2024–2038

A parliamentary resolution on municipal affairs for the years 2024–2038, together with a five-year action plan, was approved by Parliament on 5

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[33] European Commission. (2025). *Digital Decade DESI visualisation tool.* Digital-decade-desi.digital-strategy.ec.europa.eu. https://digital-decade-desi.digital-strategy.ec.europa.eu/

December 2023. The implementation of the plan began as early as the new year. The proposal was prepared in consultation with residents, local authorities and other stakeholders throughout the country and emphasizes two main goals: that municipalities in Iceland become strong and sustainable and promote democratic activity of residents, and that the self-government and responsibility of municipalities be respected and the rights and access of residents to services are guaranteed as equally as possible. The action plan contains 18 actions in the areas of finance, services, democracy and digital transformation. A new measure consists of measures under the responsibility of other ministries for the benefit of young children, people with disabilities and the environment. The Icelandic Association of Local Authoritiesis is also responsible for several measures, including on democratic activism, digital transformation and professional teams on bullying, sexual harassment and gender-based violence against elected representatives.

3.4.6 Development of the system

Major changes have taken place in the public system in recent decades, which can be seen as the result of the policies that have been mentioned, especially with regard to the number of municipalities and institutions. The number of government institutions thus decreased rapidly at the end of the 10th decade of the last century. During this period, tasks were transferred to the municipal level and emphasis was placed on transferring tasks to public limited companies. Since this time, the number of government agencies has decreased by 37%, or from 250 to 156 in 2021, according to the National Audit Office's classification.[34] The number of municipalities has also decreased rapidly, but since 1950, when there were 229 municipalities, the number has decreased by 165 and is now 63.

The main argument in favour of mergers is that larger units are better suited to perform core services and provide good service. Such units are also better operating units. More than half of the institutions today have fewer than 50 full-time equivalent positions. A quarter of public bodies have fewer than 20 full-time equivalent positions. There are also 56 municipalities with fewer than 10,000 inhabitants.

These smaller units must, on an equal footing with larger ones, meet all the requirements made for service, operation and administration, which makes it clear that a certain amount of capacity is needed to meet.

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[34] National Audit Office. (2021). *Government institutions, number, size and economies of scale*. Rikisend.is. https://www.rikisend.is/reskjol/files/Skyrslur/2021_stofnanir-rikisins_fjoldi-staerd-staerdarhagkvaemni.pdf.

3.5 Developments in neighbouring countries

3.5.1 Development of public services in the other Nordic countries

As has been mentioned, the share of the public sector in the Nordic economies is among the highest in the world, where the public sector is entrusted with the provision of a large proportion of services instead of the private market. The structure of the public sector and the rules of the game are quite similar, although each country naturally has its own characteristics, but the countries are known for their high level of co-operation and work on various integration-issues within the Nordic Council of Ministers.

In August 2019, the Nordic prime ministers declared the Nordic Region to be the most sustainable and integrated region in the world, and a number of initiatives are being carried out across the Nordic Region. Emphasis is placed on digital services that are intended to increase access to public services for all through the countries' declaration called Digital North 2.0.[35] The Nordic countries are already among the world's leading countries in the provision of digital services, and all the countries have worked to ensure that digital services are the main means of communication between the public and the public sector. In the co-operation between the nations, great emphasis is placed on ensuring that digital services do not exclude any social groups, but that digitalisation is a way for more people to enjoy their rights and participate in a democratic society.

When it comes to digitalising services, the countries are also aware of increasing the public's ability to use the services, and all the other Nordic countries have set up service centres where people can come and get help to access the services. Such service centres are well known throughout the Nordic countries and can be located in libraries or special institutions, where the main focus is on being located in close proximity to the public.

3.5.2 OECD-EU policy

At EU level, common standards for public administration have been issued.[36] In connection with the publication, it is said that user-centred services are an important factor in increasing satisfaction with the service, trust in the government and are a way to ensure that the public sector is run in an efficient manner. By focusing on users, marginalized groups are also better accommodated, and it is considered important that the service can be accessed

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[35] Norræna ráðherranefndin. (2020). *Ministerial Declaration Digital North 2.0*. Norden.org.
https://www.norden.org/en/declaration/ministerial-declaration-digital-north-20

[36] European Commission. (2024). *Europe's Digital Decade: digital targets for 2030*. Comission.europa.eu.
https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/europe-fit-digital-age/europes-digital-decade-digital-targets-2030_en

through different service channels, even though digitalization is particularly desirable.

The following policy objectives are set out that are recommended to be followed: "Public administration puts users first and delivers high-quality and accessible services both online and on-site. Digitalization promotes data-driven decisions, efficient and cost-effective processes."

In more detail, 4 criteria are set out in order to achieve this goal and 24 ways to achieve the goal.

Criteria for how services are provided:

1. Users in the foreground in the design and provision of the service.

2. Public entities provide streamlined and high-quality services.

3. Public services are easily accessible online and locally, keeping in mind the needs of different users.

4. Digitalization drives data-driven decision-making, efficient and cost-effective processes.

3.5.3 OECD Guidelines for User-Centric Services

The OECD is also working on criteria for user-centred public administration, which are intended to establish a clear, common framework to support countries in developing and implementing public services where human experience is prioritised in the design and delivery of services. [37] The Criteria seek to ensure that users are supported through their interactions with public administrations, especially in the case of major life events, such as having a child, buying a house, starting a business, getting married or divorcing, becoming unemployed or the death of a family member.

The criteria are divided into four pillars:

1. **Strategic vision, values, and rights** - Highlights the importance of having a holistic vision that relates to providing user-centered services. This includes all public services, including services that may be outsourced to private individuals. Emphasis is placed on public communication and accountability to encourage user participation, while ensuring that user rights, including data protection, are upheld.

2. **Foundations** – The importance of having the right conditions in the public sector to facilitate an individualized approach to services. This includes the organization and processes, skills and competencies, as well as the resources and infrastructure. Emphasis is placed on the fact that digital infrastructure is

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[37] OECD. (2025). *Digital government*. Oecd.org. https://www.oecd.org/en/topics/policy-issues/digital-government.html

essential to design and service delivery, which needs to be upgraded to keep pace with new technologies in order to provide efficient services.

3. Simple and accessible services – An outline of the principles, tools, and methods required for a simple user experience from the initial service need to the fulfillment of the need. It is also recommended to experiment with the provision of reactive service and proactive service.

4. Measurement, Engagement, and Improvement – The need for measurement and data collection to track performance and results is highlighted, with effective feedback between users and service providers to improve service and transparency.

3.5.4 UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) were adopted by representatives of all UN member states in September 2015. The Sustainable Development Goals are integrated and integral and provide a balance between the three pillars of sustainable development; the economic, social and environmental. They also include five main themes, which are humanity, the planet, prosperity, peace and cooperation. The main content of the goals is also that no individuals or groups will be left behind. When it comes to public services, the goals of equality and equality, sustainable cities and communities, and innovation are topics that are important when services are planned and designed. In particular, there is talk of health and well-being and education, which are indeed the subjects of public services. Climate issues are at the heart of the Global Goals, and it is important that public services are provided in an environmentally friendly manner. Various projects related to this are being carried out in Icelandic administration and reference is made to published reports to that effect.[38]

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[38] Prime Minister's Office. (2025). *What are the Global Goals?* Heimsmarkmidin.is. https://www.heimsmarkmidin.is/

4. Key topics, vision, emphases and options for discussion

On the basis of the challenges and opportunities that the status assessment will reveal, there are certain key issues that policy development needs to address. These are issues that need to be addressed in order to bring about a change in the current situation. This chapter also presents a draft vision for further discussion and implementation with the public and stakeholders.

4.1 Key Topics

Improved quality and service levels: Increase the quality of service by implementing user-centered solutions that listen to user needs. Employees need to be strengthened in attending to different users and service channels.

Increased access and equality: It must be ensured that all groups in society have good access to services based on different needs and places of residence.

Streamlining and increased efficiency: Ways must be sought to streamline and increase efficiency in operations by continuing to use technological solutions and practical data, increase cooperation and coordination, and strengthen institutions and municipalities.

4.2 Draft vision

The draft vision for public services is based on material that was submitted through consultation with the public, the business community and public entities. The policy documents related to the policy formulation are also used.

Iceland provides excellent public services. The service is accessible to everyone in a user-friendly and efficient manner, is coordinated, transparent and cost-effective, thus supporting trust, value creation and improved living standards in Iceland.

4.3 Focus

4.3.1 Quality

- User-centered services: Emphasize that the service is provided with the needs of users in mind, so that they are relevant and without barriers.
- Competence and professionalism: Ensure that public service workers have the skills, education, and training necessary to provide excellent service.
- Performance management: The results of operations are monitored to promote continuous improvements in the service, ensuring that quality is always a priority.

4.3.2 Access

- Equality in access: Ensure that everyone in society, regardless of ability, background, place of residence, or other factors, has access to the services.
- Digital services: Strengthen digital services and digital solutions that enable users to access the services anytime and anywhere.
- Coordinated information: Provide centralised and accessible information on all public services to make it easier for users to find and use them.
- Coordinated in-person services: Offer access to general administration in central service centres.

4.3.3 Efficiency

- Streamlining operations: Using cost-effectiveness and cost analysis to ensure that resources are being used in the best possible way.
- Coordination and cooperation: Increase coordination and cooperation between different institutions and with service providers in the market.
- Administrative burden: Remove unnecessary demands on the public, the business community and the administration.
- Use of data: Data flows between service providers to improve services and increase operational efficiency.

4.3.4 Innovation

- Technological innovation: Information technology supports the use of appropriate technological solutions and best-known methods that improve the service and make it more efficient and user-friendly.
- Flexibility and adaptability: Build flexible information systems that can quickly adapt to changing circumstances and new challenges. Work will continue to unwind older systems and open up for newer solutions that increase diversity and innovation.
- Development and testing: Promote the development and testing of new methods and solutions that can further improve the service.
- Collaboration with the business community: Digital services and new solutions are developed in collaboration with a diverse group of companies and specialists, including the utilisation of open source software.

4.4 Options – routes

Various ways are considered to achieve the goals outlined with the vision and emphases and are conducive to solving the key challenges.

It is clear that the involvement of public bodies in projects can take various forms, but in general, five different ways to achieve success have been defined:

1. Information, education, advice.

2. Direct services from the public sector or bought.
3. Economic measures and incentives.
4. Legislation and regulations.
5. Nudges.

When choosing options, consideration must be given to whether they are suitable for the subject, are likely to be successful, are politically feasible, in accordance with the current fiscal plan, technically feasible, lead to positive economic effects and long-term effects.

When choosing routes, it is also necessary to consider the path ahead and whether measures are directed at the public or public entities. In the context of public entities, it is possible to set criteria for the issues that need to be addressed that public entities should take into account in their operations. It is also possible to enact legislation on the subject that the parties must then follow. Education is also very important to achieve improved and more cost-effective services, and it may be necessary to make organizational changes in order to achieve changes. Most often, the goal is best achieved by following a combination of the methods mentioned here.

When it comes to reaching the public better, nudges, increased education and advice can make a big difference. Furthermore, the quality of information must be constantly improved and ensure that it reaches everyone in society. It is important to assess what works best each time, as people's needs and demands change rapidly and what works well today may not necessarily work well tomorrow. At the same time, messages often need to be designed according to different groups, as one does not automatically apply to everyone.

5. What is your opinion?

The aim of this status assessment is to encourage discussion on the status assessment, subjects and future vision of public services, as well as emphases and alternatives.

Responses and opinions are sought from stakeholders on whether the assessment is presented correctly, whether the key topics are correctly defined and whether topics that are not specifically addressed can be added. Stakeholders are encouraged to point out new emphases or which emphases are most important for the future. It is hereby encouraged to discuss different options, whether and what viewpoints are missing, the prioritization of ways and which ones should be emphasized the most.

The consultation will be open for 2 weeks. After the analysis, the results of the consultation will be posted on the consultation portal.

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