



Standards for good work practices of civil servants

The diverse tasks of civil servants touch upon the lives of the average citizen in various ways. Some such tasks have to do with the exercise of official power, such as in law enforcement or when a public authority decides upon the rights and duties of the citizenry. Other tasks have to do with the carrying out of public services, such as in education and health. Various rules, both written and unwritten, specify how civil servants should carry out their tasks. Their aim is to provide the service in such a manner that it benefits the citizenry within the framework of democracy. It follows therefore that the standards must be clear, transparent and well known.

The Ministry of Finance has issued guidelines on standards for good work practices for civil servants. The guidelines contain the essence of standards expected from civil servants in their work and attitude, both as they appear in written as well as unwritten rules, such as in the Government Employees Act, the Administrative Procedures Act, the Access to Information Act and the Government Financial Reporting Act. The guidelines are intended to provide general instructions for civil servants in carrying out their tasks.

The guidelines do not cover all aspects of public services. Agencies may wish to supplement the guidelines with further instructions and ethical rules. The Ministry has asked agency managers to consider the need for such instructions in their respective agency. Managers have also been asked bring the guidelines to the attention of their staff.

Double taxation treaties are increasing in number

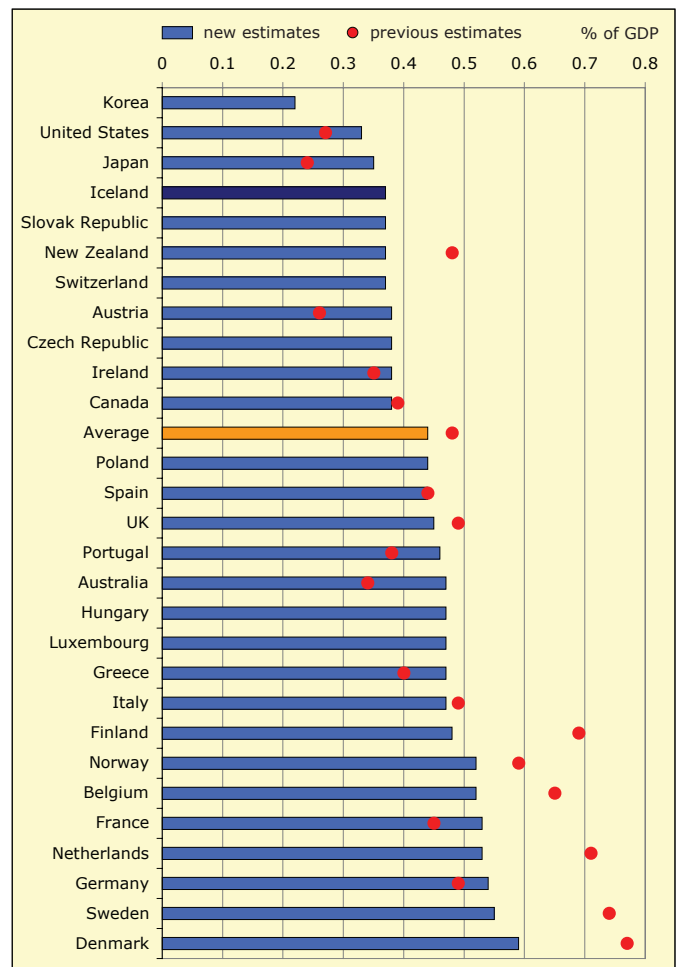
Last year was a busy one in the double taxation arena. Four new treaties were completed, with Mexico, Croatia, Greece and the Ukraine. Iceland has thereby become a party to 32 double taxation treaties with 36 states. A joint treaty is in force between the Nordic countries. A revision of the 1971 treaty with Germany was also completed. Of these 32 treaties, 23 apply to 27 states. The other nine are in various stages of the ratification process. The treaty with Hungary takes effect at the beginning of next year. The treaties with Italy and Malta await ratification, the treaties with Austria and South-Korea await signature and the treaties with Greece, Croatia, Mexico and the Ukraine are being translated and finalised.

Discussions were initiated with India and Romania last year, and it is expected that they will be concluded over the next months. Discussions with Slovenia started in the latter half of 2004 and should be completed this year. The revision of the treaty with the United States is still ongoing and the same applies to the Nordic treaty. Discussions with Guernsey on the exchange of tax information are continuing this year at the same time as discussions with Jersey and the Isle of Man will be initiated on a similar exchange agreement. If things go as expected, Iceland will have become a party to 40 double taxation treaties before the end of the year. The long-term goal will thereby also be reached to complete treaties with all the EU member states. Further information on double taxation treaties and longer-term goals (in Icelandic) may be obtained from the Ministry's website.

Sensitivity of public sector balances to business cycles

According to the OECD, a 1 per cent increase in the output gap (a gauge of the business cycle) will improve public sector financial balances in OECD-countries by nearly 0.5 per cent of GDP. The sensitivity of public finances to the business cycles differs between countries, however. For Iceland, the OECD estimates it to be close to 0.4 per cent, for Denmark the ratio is highest, at 0.6 per cent, and lowest in South-Korea, 0.2 per cent of GDP. These conclusions may be seen in the latest issue of the OECD's Economic Outlook, no. 78.

The graph shows a new and a previous assessment of the sensitivity indicators for most of the OECD-countries. This reflects in part a change in the emphasis of economic policy. It should be noted that



the previous assessment is based on tax regulations in 1996 and a distribution of incomes from 1992. The latter assessment has 2003 as its base year with regard to tax laws, and the distribution of incomes is based on data from 1999-2001. The average for all the countries declines slightly from the earlier assessment, whereas the assessment for individual countries changes considerably. This applies in particular to countries that were subject to cyclically sensitive public sector balances, and still are. These countries are Denmark, Sweden, Finland and the Netherlands. In all these countries the growth in public sector expenditure has been slowed down and their sensitivity has declined. The sensitivity indicator has risen for Australia, Austria and Japan, mostly because tax regimes have become more cyclically sensitive.

Customs regulations

A new Customs Act, no. 88/2005, took effect at the beginning of this year. The new Act has been thoroughly revised from the earlier one, both as regards individual chapters and articles.

At present, some 30 regulations that are based on the Act are being revised. Their number is going to be sharply reduced, from more than 30 to four or five. There will be two main regulations, one for exemptions from the payment of customs duties on imported goods and the other will deal with general customs issues. In addition, there will be two or three regulations dealing with special issues, such as the school for customs officers. The new regulations are expected to come into effect on March 1st.

Treasury revenue, January-December		
12 month changes (%)	2003-2004	2004-2005
Total tax revenue	13.1	20.7
Income taxes	10.7	22.7
Social security taxes	11.1	16.2
Asset taxes	38.8	23.7
Indirect taxes	13.4	20.3
Total revenue	8.1	42.2

Treasury expenditure, January-December		
12 month changes (%)	2003-2004	2004-2005
Administration	3.7	7.9
Social affairs	6.4	6.9
Economic affairs	2.6	4.7
Interest	-12.5	35.2
Other	3.2	49.3
Total expenditure	4.3	10.0

Treasury finances, January-December		
Million krónur	2004	2005
Cash from operations	-292	32,014
Net financial balance	22,408	81,888
Debt redemption	-32,477	-62,305
Gross borr. requirement	-17,569	14,101
Net borrowing	25,867	10,234
Overall cash balance	8,298	24,335

Economic indicators		
12 month changes (%)	2004-2005	2005-2006
Inflation (Feb. '06)	4.5	4.1
Core inflation (Feb. '06)	4.5	3.8
Wage index (Dec. '05)	6.0	7.2
Total turnover (Jan. - Oct. '05)	10.0	9.5
Retail turnover (Jan. - Oct. '05)	4.5	5.2
Unemployment rate (Jan. '05)	2.6	1.2