December 2024

# Implementation of Well-being Priorities in Government Planning and Decision-making

## Recommendations of a Working Group – English Summary

Government of Iceland

**Publisher:**
Government of Iceland

Implementation of Well-being Priorities in Government Planning and Decision-Making

December 2024

for@for.is

**Design:**
Government of Iceland

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## Summary

The term “well-being economy” refers to an economic perspective that differs from the traditional approach to measuring the economy's prosperity or how wealthy a population is based exclusively on economic metrics. Instead, well-being and quality of life are assessed based on various social and environmental factors as well as economic ones. A well-being economy is, therefore, an economy that strives to prioritise the collective well-being of both current and future generations. It is an economy that works for people, and not the other way around.

In a well-being economy, clear objectives for public prosperity and quality of life influence the government's emphases and prioritisation in decision-making and planning. Indicators are selected reflecting various aspects of well-being in a broad context and used to assess the success of the government's policies. The objective is to have fiscal policy support the government's aim of improving the quality of life of the general public across a broad spectrum. A set of well-being indicators is also used to assess the long-term impact of government decisions in budgeting.

Over the past decades, governments and international institutions worldwide have united to adopt well-being and sustainable development frameworks for policy- and decision-making. They prioritize budget allocations based on social, economic, and environmental measurements. The primary motivation for countries to adopt such well-being standards has been to find solutions to common challenges like rapid technological change, environmental and climate issues, aging populations, and increasing public health and mental health challenges. Based on these global trends, Iceland’s government has emphasized the development of such indicators, relevant data collection, and participation in international projects to strengthen collaboration on implementing a well-being and sustainable development approach.

It is generally believed that integrating specific and cross-sectoral priorities, like well-being priorities, enhances professional practices and improves the framework for policy-making in public administration. Integrating specific priorities into the budgeting process requires analysis and transparency on the impact of proposed measures on different aspects such as equality, environment, and society. Such integration can also increase understanding of the connection between policies, planning, and budget allocations, offering benchmarks and tools to address complex issues across different government sectors.

# Introduction

The coalition platform of the Progressive Party, the Independence Party, and the Left-Green Movement states that well-being is best ensured through a stable economy, equal opportunities, and measures to enhance innovation, the environment, and the climate. Iceland aims to be a leading nation in developing and following up on well-being indicators, to reinforce its status as a well-being economy. The Icelandic government has emphasized strengthening cooperation with other well-being economies where the United Nations Sustainable Development Goals serve as guiding principles.

Principles of fair transition and competitiveness of the Icelandic economy guide the approach to the ongoing transformations related to climate change and technological developments. These priorities will be pursued through effective coordination of ministries within the Icelandic government, internally and in collaboration with stakeholders.

Since 2019, the Prime Minister's Office, in cooperation with Statistics Iceland, has developed a comprehensive set of 40 social, environmental, and economic indicators of prosperity and quality of life, referred to as well-being indicators.

They are based on the United Nations' Sustainable Development Goals (SDGs) and utilise official statistics. The indicators are partly comparable with well-being indicators from other countries. Statistics Iceland manages the group of indicators and updates it regularly.

Following selection of these indicators, the government decided towards the end of 2019 that six well-being priorities should be used to guide policy-making and goal-setting for each year of its five-year, Medium-term Fiscal Strategy, as provided for in the Public Finance Act, No. 123/2015. These priorities are mental health, housing security, active participation in education and work, a carbon-neutral future, innovation growth, and better communication with the public.

The well-being priorities are forward-looking in important areas which reflect the government's strategy. The priorities are intended to form the basis for discussing the ministries' 35 policy areas in the Medium-term Fiscal Strategy. The priorities of mental health, housing security, and active participation in education and work are part of many policy areas, while those that deal with a carbon-neutral future, flourishing innovation, and better communication with the public concern all functions of the ministries.

With the passage of Public Finance Act, No. 123/2015, results-based planning was introduced into the state's budget process. This significant change enabled the integration of specific priorities into the budget process. Results-based planning aims to increasingly use measurable information in preparing financial plans, budgets, and follow-ups to support informed decision-making,

increase transparency, and improve efficiency in public administration. This approach ensures that when funding decisions are made, clear goals are set for the period, and outcomes from previous allocations are evaluated. The OECD has endorsed results-based planning, which many countries and international institutions have adopted recently, as it is particularly suitable for addressing complex contemporary challenges.

These recommendations are the results of a working group appointed by the Prime Minister in October 2023, in line with the government's approval. The group included representatives from three ministries: the Prime Minister's Office, the Ministry of Finance and Economic Affairs, and the Ministry of Infrastructure.

The group's mission was to deliver a proposal to the government for more systematic integration of well-being priorities into all governmental planning, including the financial strategy and budget bill. The proposal's main objective is to enhance oversight and support further integration of the government's well-being priorities into financial planning and decision-making in public finances, with measurable outcomes. It builds on the experience of integrating well-being priorities into public finances since 2019, as well as gender-responsive budgeting processes and similar efforts in results-based planning. The working group also drew on the experience and priorities of international institutions and comparable countries in integrating well-being priorities into policy development, planning, decision-making, and follow-up in public finances.

The proposal was prepared with reference to Iceland's newly approved sustainable development strategy for 2030. This strategy envisions Iceland as a well-being economy and a leading country in developing and following up on prosperity and quality of life indicators.

# 1. Indicators for measuring Well-being

A committee established by the Prime Minister presented a report in September 2019 on indicators for measuring well-being. The report proposed 39 social, environmental, and economic indicators representing prosperity and quality of life in Iceland, often called well-being indicators. The purpose of these indicators is to provide a comprehensive overview of key elements of well-being and to serve as a tool to guide government policy-making. With this approach, the government adopted a framework that has been part of international discussions over the past decades to better understand well-being, prosperity, and social progress. The report states: "The idea is that with more effective data collection, analysis, and presentation of indicators measuring prosperity and quality of life, countries can ensure and increase the well-being of everyone in society."

The indicators are aligned with the United Nations' Sustainable Development Goals, which are based on three pillars of sustainable development: society, economy, and environment. They rely on official statistics, making them useful for comparison with other countries.

**Figure 1: Well-being indicators, 40 indicators of prosperity and quality of life (Well-being Indicators), presented in three categories and 13 subcategories.**

Selection of the indicators was based, among other factors, on a survey conducted by the committee, where participants were asked to rank aspects related to prosperity and quality of life in order of importance. According to the survey results, the Icelandic public considered health (i.e. good health and access to healthcare) the most crucial factor for their quality of life. This was followed by social relationships (i.e. friends, family, neighbors, and colleagues), then housing (i.e. secure housing, housing costs, and availability), and income (i.e. earnings, assets, and financial security).

As noted in the committee's report, various international organizations have developed composite indicators, where different aspects of well-being are weighted together to provide a single outcome, and countries ranked accordingly. However, in the proposed indicators for Iceland, the intention was not to combine different indicators into a single outcome but rather to create a comprehensive overview that can be used for policy-making. It then becomes ongoing responsibility of the government to assess how these indicators can be used in policy formulation, prioritizing projects, assessing impacts, and evaluating policy outcomes.

Statistics Iceland was tasked with managing the indicators, developing them, and regularly updating them to provide insight into the evolution of Icelanders' quality of life — whether it improves, stagnates, or declines over time. In 2022, an indicator on the number of reports of domestic violence was added, as it was felt that indicators of security, which fall under social factors, were not capturing the increase in gender-based and domestic violence during the COVID-19 pandemic. As a result, the number of indicators increased to 40, divided into three categories and 13 subcategories, as previously mentioned.

Developing well-being indicators was a critical step in ensuring a common understanding of the factors worth measuring when evaluating long-term quality of life and traditional economic measures, such as education, the labor market, or health.

Since the indicators were published in 2019, Statistics Iceland has continued to refine them, focusing on increasing data accuracy and improving user interfaces on its website. Efforts have also been made to enhance systematic data collection to increase the number and frequency of measurements, making it easier to assess trends in prosperity and quality of life. In 2024, work is being done to automate the indicator system so that it updates automatically when new data is uploaded to Statistics Iceland’s website, which should result in significant time savings for updating the indicators.

## 2. Well-being Priorities in Policy Planning

Following the selection of prosperity and quality of life indicators, the government approved a proposal from the ministerial committee on public finances to focus on six well-being priorities in its policy planning and financial strategies. These priorities were chosen by aligning the goals and indicators in budget plans with the objectives in the coalition platform of the governing parties, as well as with the selected well-being indicators.

The priorities also considered the United Nations Sustainable Development Goals, regional and gender equality perspectives, priorities set forth by labor market parties in recent collective agreements, and Iceland's commitments in international cooperation.

The six well-being priorities:

1. Mental health
2. Housing security
3. Active study and work
4. Carbon-neutral future
5. Innovation growth
6. Better communication with the public

These priorities are intended to provide a structured framework for addressing critical issues and evaluating the long-term impact of government policies on prosperity and quality of life.

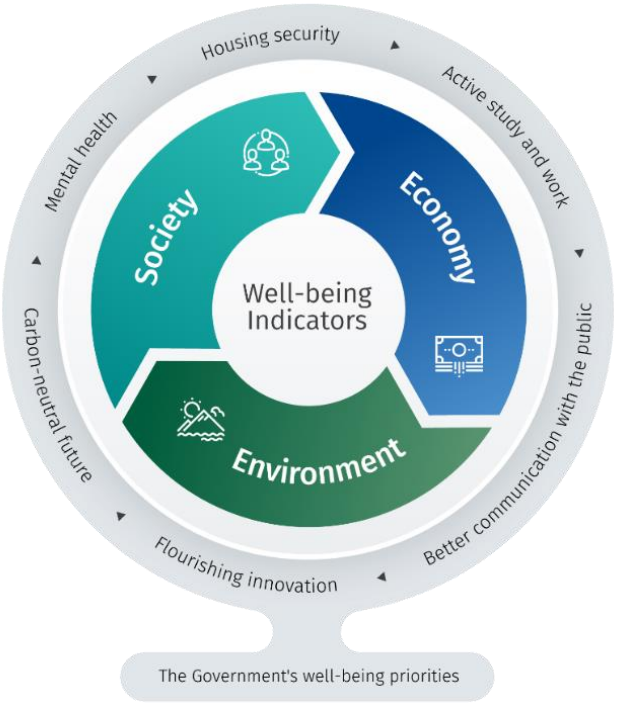


**Figure 2: The government's Well-being Priorities**

The government's goal in presenting these priorities was to highlight areas where improvements are needed in critical fields and to facilitate the assessment of the long-term impact of strategic decisions on public prosperity and the quality of life for future generations. These priorities are a foundation for discussion in 35 policy areas within the ministries' financial planning. The priorities focused on mental health, housing security, and active study and work relate to multiple policy areas. At the same time, those concerning a carbon-neutral future, innovation growth, and better communication with the public apply to all policy areas across ministries.

As previously mentioned, there is an increasing international focus on aligning public financial policies with specific or cross-sectoral issues like gender equality and climate change. The aim is to use public finance policy-making to prioritize critical areas for change, especially when dealing with challenges that require coordination between different levels of government. The structured budget process facilitates this coordinated approach. Policy direction is most clearly reflected in the prioritization of funding allocations, highlighting the government's strategic priorities.

It is widely believed that integrating specific and cross-sectoral priorities, such as well-being priorities, enhances professional practices and improves the framework for policy-making in public administration. This integration process increases understanding of the connection between policies, planning, and funding allocations. It also provides benchmarks and tools to address complex issues within and across government sectors.

## International Cooperation on the Well-being Economy

Iceland is part of the Well-being Economy Governments (WEGo) collaboration, which includes Finland, Scotland, New Zealand, and Wales, with Canada as an observer. The objective is to encourage cooperation among governments seeking to deepen their understanding of well-being and incorporate this into policy-making by prioritizing measurable well-being in financial planning.

New Zealand, Scotland, and Wales are leaders in linking cross-sectoral priorities based on well-being within their budget processes. For example, New Zealand has developed the Living Standard Framework Dashboard, connecting well-being indicators with key government priorities. This dashboard is designed to provide ministries and municipalities with valuable information for policy planning and decision-making in areas impacting public well-being. These indicators also help justify how specific financial decisions or actions positively affect citizens.

In Wales and Scotland, the governments have established future visions and national sustainability and well-being goals, along with indicators that facilitate the evaluation of the long-term impact of government decisions, including in budget processes, on people’s quality of life. Finland is working on shaping its

well-being economy framework and developing a set of indicators based on its Well-being Economy Action Plan for 2023-2025.

A 2023 report by the World Health Organization (WHO) on the status of the well-being economy in Finland, Iceland, Scotland, and Wales, notes that these countries define the concept of well-being differently. However, they all have established specific well-being priorities in their policy planning, focusing on multiple areas of society. The common objective among these countries is to use indicators other than GDP to measure national progress and citizens' quality of life. The report highlighted that societal challenges related to the welfare system, the economy, and the environment have been critical drivers of policy changes towards creating a well-being economy.

Additionally, the report emphasized that these countries strongly emphasize gender equality, with women holding prominent political positions. This focus has contributed to prioritizing well-being issues in the political agenda.

## Performance-based Budgeting

With the introduction of the Public Finance Act, No. 123/2015, performance-based planning was established in the government budgetary process. This significant change facilitated the integration of specific priorities into the budgeting process. Performance-based planning aims to increasingly utilize measurable data in creating financial plans, budgets, and their follow-up, supporting informed decision-making, enhancing transparency, and improving efficiency in public administration. This approach ensures that when funding decisions are made, clear goals are set for each period, and an evaluation made of what previous allocations have achieved. The OECD has advocated this method, which numerous countries and international organizations have adopted in recent years.

In Iceland’s implementation of performance-based planning, emphasis has been placed on ministries assessing their current situation and then highlighting key challenges and opportunities in their respective policy areas. Ministries are also tasked with setting targets and defining indicators and actions to be pursued within each financial plan period. The goals should reflect the coalition‘s platform and the government’s key priorities.

Efforts are ongoing to improve performance-based planning, such as upgrading information systems to better communicate the status and progress of goals, both over the long term and within each fiscal year. The Public Finance Act mandates that the progress of goals and actions must be accounted for in ministers' annual reports. However, follow-up on policy success has not been fully satisfactory, partly due to a lack of substantial discussion on the connection between performance outcomes and project funding. Addressing these issues is among the focus areas for further development of performance-based planning. In this regard, specific measures, such as the development of benchmarks and regular training within Government Offices, are needed to

ensure follow-up on integrating well-being priorities into policy planning and budgeting. Additionally, the results of this work should be regularly highlighted and further discussion on well-being encouraged.

In this effort and the implementation of well-being priorities, the government has drawn on the experience gained from gender-responsive budgeting, which has been applied since 2009 and is mandated in the Public Finance Act. Gender-responsive budgeting involves incorporating gender and equality considerations into policy-making and decision-making during budget preparation while also assessing the gender impact of the budget.

## Coordinated Policy Planning

Following the enactment of the Public Finance Act nearly a decade ago, the Policy Council of Government Offices was established as a coordination and consultation body within public administration. Its purpose was to enhance and improve the government's capacity for policy planning. The vision guiding this effort was to build a government office with the expertise and knowledge to create strategies and plans aligned with the latest trends and academic insights to address the challenges facing the government and society.

The Policy Council has led systematic knowledge development, including conducting regular surveys on government policy planning and strategy development. Its outputs include a dedicated website on sound policy planning, manuals, and guidelines for ministries to use in their strategy work. It connects funding to outcomes, analytical work, and the administration's general alignment of working methods.

The working group concluded that the Policy Council of Government Offices is a crucial platform for continuous improvements in high-level public administration and policy planning. Among its recommendations is that the Council should evaluate the quality of well-being indicators, the need for updates, and their alignment with the government’s well-being priorities. The Council should also work on developing a national framework/goals for sustainable development, drawing on past experiences and the work of comparable countries based on both domestic indicators and the United Nations Sustainable Development Goals. When developing these indicators, it is essential to review similar domestic metrics, such as Statistics Iceland’s social indicators, children’s well-being measurements, public health indicators from the Directorate of Health, and those used by the City of Reykjavík.

# 3. Recommendations of the Working Group

The working group concluded that the government has been relatively successful in linking the priorities of well-being to challenges, opportunities, and goal-setting in financial plans. However, further refining of the connection to well-being in the policy area reports is essential. The Public Finance Act, No. 123/2015, requires a review of the progress of goals and actions to be reviewed in the ministers' annual reports. The working group suggests that these reports should more systematically address the success of policies with project funding.

To ensure that well-being priorities are systematically incorporated into policy-making and planning, specific measures need to be considered, such as developing guidelines for integrating specific priorities in goal-setting within policy areas and emphasizing organization and procedures in budget planning. Regular updates on work progress should be highlighted, knowledge within ministries enhanced through continuous training on sound policy planning, and discussions on the benefits of these initiatives promoted.

Iceland’s new sustainable development policy for 2030 includes a proposal to continue developing well-being indicators to form the basis of a broader set of national sustainable development indicators aligned with the UN Sustainable Development Goals. The working group supports developing these national indicators and dashboards to facilitate results-based planning. A dashboard based on a set of indicators and the government’s key priorities can be used by ministries and municipalities for strategic planning and decision-making, as well as to assess policy impacts and monitor funding for actions affecting quality of life.

The working group emphasizes the importance of developing a comprehensive assessment by Government Offices of the intended impact of legislation and policy-making on the pillars of sustainable development: society, environment, and economy. The sustainable development policy provides detailed goals for this assessment, which will be developed in collaboration with the Prime Minister’s Office and the Ministry of Finance and Economic Affairs.

It is crucial to increase the knowledge of government employees on integrating specific priorities into policy-making and planning. To achieve this, the government’s well-being priorities must be made more visible in planning work, policy preparation, and decision-making within the ministerial financial committees and the government. Informational materials on well-being indicators, international cooperation, well-being economy priorities, and the government’s well-being priorities have been prepared. Changes in working procedures must continue in collaboration with ministries to strengthen the integration of well-being priorities into policy-making across the government,

supporting efforts to evaluate the long-term impacts of strategic decisions on public prosperity and quality of life.

The working group proposes the following recommendations to promote a more systematic integration of well-being priorities into all governmental planning:

**Five key recommendations:**

1. Continued development of prosperity and quality of life indicators and creation of national indicators and dashboard
   In collaboration with the Prime Minister's Office and Statistics Iceland, work should continue on improving and developing the set of well-being indicators. The further breakdown of social indicators should be considered to include the status of different population groups by gender, origin, age, and residence.

   The long-term goal of this work is to create a national framework and goals for sustainable development to assist ministries and municipalities in policy-making and decision-making.

   The Policy Council should evaluate the connection between indicators and the government's well-being priorities and develop guidelines for their use in policy planning, including project prioritization, goal-setting, impact assessment, and evaluation based on budgetary processes.

2. Development of guidelines and organized training for ministry staff on implementing specific priorities (e.g. well-being priorities and UN SDGs) in policy and financial planning
   The Policy Council should create guidelines for integrating the government's well-being priorities into policy-making and public financial products. Additionally, it should organize regular training sessions for government staff on sound policy planning within ministries.

   In collaboration with the Prime Minister's Office and the Ministry of Finance and Economic Affairs, guidelines should be developed to assess the connection between proposals for financial plans, budget bills, and well-being priorities. Information from line ministries should highlight these connections in policy area discussions.

3. Discussion of well-being priorities in general reports accompanying financial plans
   Annual discussions on the government's well-being priorities should be part of the general reports accompanying financial plans, placing these priorities in the context of key policies and public finance challenges for each plan period. Additionally, discussions of well-being priorities should continue in ministry policy area reports.

4. Informational Material on well-being on the Government Office Website
   Information should continue to be disseminated on the Government Office website about international cooperation on well-being economies, the government's well-being priorities, and Statistics Iceland's well-being indicators overview page. The goal is to inform the public, ministry staff, and elected representatives about these priorities and support ministries in integrating them into planning and policy-making.

   Further informational materials should be developed in collaboration with the Prime Minister's Office and the Ministry of Finance and Economic Affairs.

5. Regular status reports on progress in integrating the government's well-being priorities into policy-making
   To ensure follow-up on the integration of well-being priorities into policy-making and planning, the working group recommends that alongside the publication of the long-term economic and public finance outlook report, a status report should be published every three years on integrating the government's well-being priorities into policy-making. This report should discuss the success of key policies for each ministry during the period concerning well-being priorities. The report would be prepared in collaboration between the Prime Minister's Office and the Ministry of Finance and Economic Affairs, with contributions from all ministries. The Prime Minister would present the report to the Althingi.