

EUROPEAN CLUSTER  
COLLABORATION PLATFORM

# Country factsheet

Iceland

An initiative of the European Union



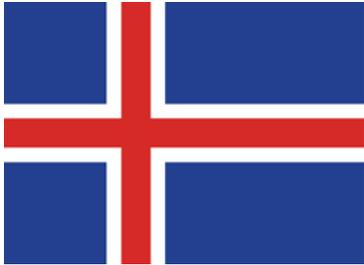


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## Introduction



This document presents an overview of the cluster policy in Iceland. Given the importance to contextualise the cluster policies (and related) analysed in the factsheets, a comprehensive outlook of the country in socioeconomic terms can be consulted in the [OECD Economic Survey: Iceland 2021](#). The “Economic Surveys” present the major challenges faced by the country, evaluates the short-term outlook, and makes specific policy recommendations

The COVID-19 pandemic has caused an unprecedented economic shock to the European and global economy. In response, the Icelandic government has introduced action to respond to the many challenges presented by the COVID-19 outbreak and has approved three legislative packages<sup>2</sup> that comprise tax measures, economic stimulus measures, and employment-related measures. Clusters are not directly mentioned on those measures. After a deep contraction, the Icelandic economy is now recovering from the COVID-19 pandemic on the back of robust export growth. The government extended most support programmes until the end of 2021. It also set up a five-year programme to invest in infrastructure, digitalisation and research and innovation accounting for 0.5% of GDP per year. In addition to the COVID-19 pandemic, the ongoing Russian military aggression on Ukraine has also taken its toll on EU companies and industrial ecosystems, highlighting the significance of policy efforts in supporting SMEs and clusters.

In the following, a succinct overview of the cluster policy in Iceland will be provided. The structure of this factsheet generally encompasses:

- 1) an overview of the national cluster policy and an insight into the regional cluster policy,
- 2) an assessment of the state of play of the national cluster policy.

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<sup>1</sup>

<sup>2</sup> Iceland's National Recovery and Resilience Plan, <https://www.government.is/government/covid-19/#measures>

# 01

## National cluster policy, programmes and initiatives



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## 1. National cluster policy, programmes and initiatives

In this section, we provide an overview of the existing cluster policies in Iceland on the national level. The breakdown is presented in the form of a table, with the first column showcasing information on the aspects which constitute the policy (beginning with 'Policy Objectives', following with 'Policy Focus', etc.). The second column represents the case of the Iceland Tourism Strategy as a sectoral policy.

Within the table the text presented in bold (black) depicts standardised categories across country factsheets (56 in total for 2022), which is applied for the comparative purposes. This is followed by a complementary descriptive text to provide more insights about the cluster policy in Iceland.



Policy type:	Sectoral policy
Policy name:	Iceland Tourism Strategy 2021-2030
<p style="text-align: center;"><b>POLICY OBJECTIVES</b></p> 	<p><b>Increasing competitiveness and boosting scale up of SMEs</b></p> <p><b>Supporting internationalisation activities</b></p> <p><b>Enhancing the visibility of clusters</b></p> <p><b>Fostering R&amp;D activities, technology development and implementation</b></p> <p><b>Fostering innovation and strengthening innovation ecosystems</b></p> <p><b>Promoting social and sustainable economy and other solidarity-based initiatives</b></p> <p><b>Strengthening the network of cluster organisations/cross-clustering</b></p> <p><b>Cluster analysis and support for policymaking</b></p> <p>The Iceland Tourism Strategy has four main objectives:</p> <ul style="list-style-type: none"> <li>- Economic Profitability – to increase productivity, value creation and competitiveness around Iceland.</li> <li>- Local benefits – to create a positive impact on local communities and enhanced quality of life;</li> <li>- Unique Tourist experiences – to support a visitor experience that is in line with or exceeds expectations;</li> <li>- Environmental conservation – to support a reduced carbon footprint and a pioneering role in energy transition and use of eco-friendly energy sources.</li> </ul> <p>To achieve this, the Strategy emphasizes on:</p> <ul style="list-style-type: none"> <li>- the co-ordination and efficiency across the administration and the collaboration with stakeholders, since tourism is an interdisciplinary industry</li> <li>- the support of sufficient transport connections (connectivity)</li> <li>- the enhancement of the quality (skills and professionalization) and</li> <li>- the support of research, data and experience (Know-How).</li> </ul>



Policy type:	Sectoral policy
Policy name:	Iceland Tourism Strategy 2021-2030
<b>POLICY FOCUS</b> 	<p><b>Sectoral</b></p> <p>This Strategy focuses solely on the tourism sector.</p>
<b>RESPONSIBLE AUTHORITIES</b> 	<p><b>In charge of implementation</b></p> <p><b>Provides funding</b></p> <p><b>Oversees the implementation</b></p> <p>The Ministry of Culture and Business Affairs is responsible for overseeing and implementing the Strategy and provides the funding. It liaises with the Ministry of Foreign Affairs, Ministry of Finance &amp; Economic Affairs, and Ministry for the Environment, Energy and Climate.</p>
<b>BENEFICIARIES</b> 	<p><b>SMEs</b></p> <p><b>Cluster organisations</b></p> <p><b>Research organisations</b></p> <p><b>Academic institutions</b></p> <p><b>Start-ups</b></p> <p><b>Large firms</b></p> <p><b>General population</b></p> <p><b>Policy makers</b></p> <p>The Strategy leverages the tourism sector made up of many micro and small enterprises. Its focus on innovation and product development leverages the existing academic and research institutional support.</p>



Policy type:		Sectoral policy
Policy name:		Iceland Tourism Strategy 2021-2030
<b>INSTRUMENTS</b> 	<b>Financial</b>	<b>Funding collaboration initiatives</b> <b>Support to R&amp;D projects, SMEs becoming cluster members, etc.</b> <b>Application to labelling schemes and similar initiatives</b> <b>Other: Data and analysis of market research</b>
	<b>Technical assistance</b>	<b>Infrastructure: coworking spaces, offices, incubation and accelerator spaces, research centres, technology parks etc.</b> <b>Support for networking and partnership building (at national and/or international level)</b> <b>Marketing activities: advertising, communication, events, fairs, and so on</b> <b>Other: Financing the maintenance of tourist destinations (natural resources)</b>
	<b>Explanation</b>	The Strategy invests financially in maintaining the natural resources (infrastructure) of Iceland's tourist destinations, lengthen the tourist season through product development and innovation driven by cluster theory and practice, gather and analyse market research, and develop consistent marketing messaging and coordination.
	<b>Period</b>	<b>Limited period</b>
<b>HISTORY</b> 	<b>Ending year</b>	2030
	<i>(for policies with limited period)</i>	
	<b>Starting year</b>	2021
	<b>Explanation</b>	The Strategy has a specific start and end year. A new long-term Tourism Policy Framework 2020-30 with a strong focus on sustainability was published <sup>3</sup> of Icelandic Municipalities, the Icelandic Tourism Association and the Icelandic Tourist Board.

<sup>3</sup> Future vision and guiding light of Icelandic tourism until 2030 (Icelandic), [https://www.stjornarradid.is/library/01--Frettatengt---myndir-og-skrar/ANR/FerdaThjonusta/Lei%3b0arlj%3b3s%20%3adslenskrar%20fer%3b0a%3bej%3b3nustu%202030\\_Final\\_Samr%3a1%3b0sg%3a1tt1.pdf](https://www.stjornarradid.is/library/01--Frettatengt---myndir-og-skrar/ANR/FerdaThjonusta/Lei%3b0arlj%3b3s%20%3adslenskrar%20fer%3b0a%3bej%3b3nustu%202030_Final_Samr%3a1%3b0sg%3a1tt1.pdf)



Policy type:		Sectoral policy
Policy name:		Iceland Tourism Strategy 2021-2030
<b>BUDGET</b> 	<b>Overall</b>	Unknown
	<b>Annual</b>	Unknown
	<b>Source of funding</b>	Iceland Government
<b>POLICY EVALUATION</b> 	<b>Availability</b>	<b>in-itinere</b>
	<b>Results</b>	No final evaluation has been released.
<b>POLICY ALIGNMENT WITH THE EU PRIORITIES</b> 		<b>Green economy</b> <b>Resilience</b>

02

## State of play of cluster policy



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## 2. State of play of cluster policy

This section presents an overview on the state of play of Icelandic cluster policy in the form of a quantitative and qualitative assessment. The data below illustrates how the country ranks in terms of **maturity of cluster policy at the national level**. The maturity assessment is based on a combination of factors presented in Chapter 1, which receive a score based on the existence or absence of a given element in the cluster policy.

**Note:** the maturity assessment does not reflect the performance of a country, but only the degree of development of their national cluster policy at the moment of data collection (Q3 2022). The assessment illustrates how the country scores for each of the four criteria (policy scope, continuity of cluster policies, evidence of performance, cluster support instruments) compared to the maximum score that they can reach. Please refer to the Annex for the detailed overview of the categories and the scoring system.

The table below presents an overview of the **maturity assessment for Iceland** for 2022. The total score of Iceland is 2 points out of 8.

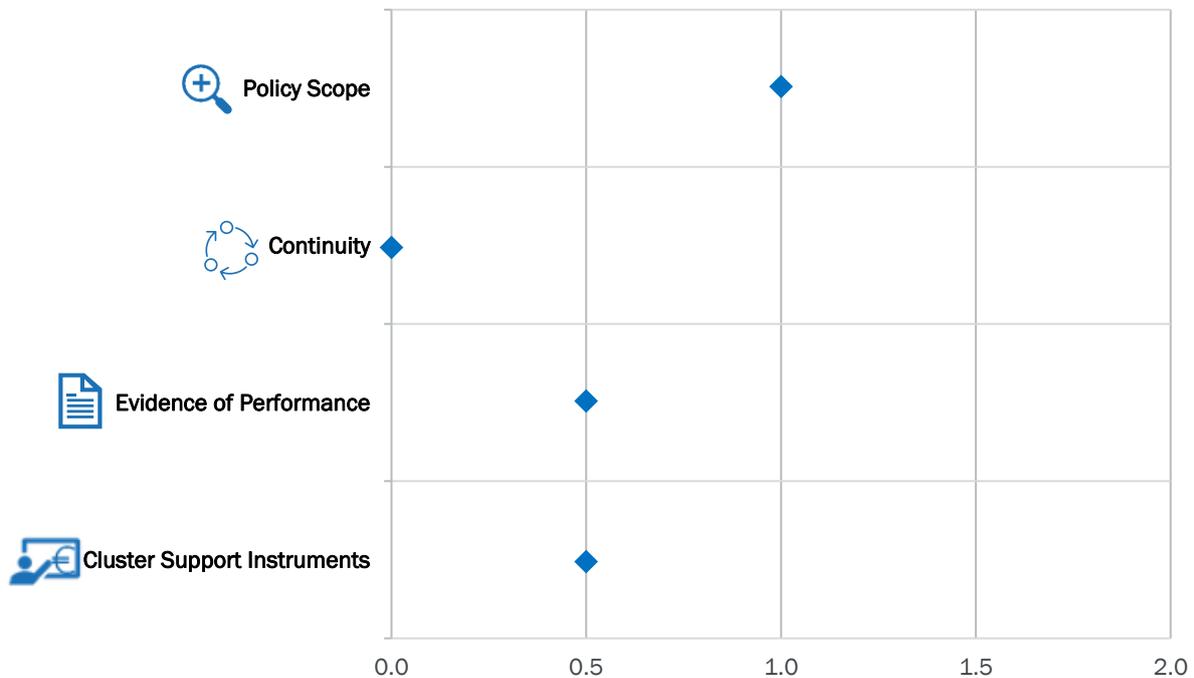
Iceland	MATURITY ASSESSMENT	Max score	Actual score
<b>POLICY SCOPE</b>	Absence of cluster policy	0	
	Broad policy	0,5	
	Sectoral policy	1	<b>1</b>
	National and/or regional cluster policy	2	
<b>CONTINUITY</b>	No cluster policy available	0	<b>0</b>
	Cluster policy established recently	0,5	
	Cluster policy established between over 2 and 10 years	1	
	Cluster policy established over 10 years ago	2	
<b>EVIDENCE OF PERFORMANCE</b>	No evaluation and / or monitoring available	0	
	Existence of evaluations of past policies	0,5	<b>0,5</b>
	Existence of monitoring or an ongoing / interim evaluation	1	
	Existence of monitoring and ex-ante or ongoing / interim evaluation	2	
<b>CLUSTER SUPPORT INSTRUMENTS</b>	No instruments for cluster development	0	
	Financial support for cluster development in the broader and / or sectoral policy	0,5	<b>0,5</b>
	Financial or technical support for cluster development in dedicated cluster policy	1	
	Financial and technical support for cluster development in dedicated cluster policy	2	
<b>TOTAL (8)</b>			<b>2</b>

Source: ECCP (2022)



Drawing from the table above that showcases the scored points in Iceland's cluster policy, the following figure below portrays the **degree of maturity** across four categories related to the national level cluster policy.

**Figure 1: Maturity of cluster policy - Iceland**



Source: ECCP (2022)

The text below provides a **qualitative description** of the state of play of the cluster policy in Iceland, which is complementary to the maturity assessment presented above.

### **Policy scope**

Iceland does not have cluster policies but only sectoral policies fostering collaboration between different actors. The concept of clusters was introduced officially to the country in 2003 and since then, sectoral and regional policies have included cluster development and growth.

### **Continuity**

The concept of clusters was first introduced to the then Ministry of Industry and Commerce in 2003, resulting in the first regional policy, the Akureyri (Eyjafjarðar) Region Growth Agreement known as AGRA I (2004-2007) that focused on raising the competitiveness of the region, including developing strong clusters. Cluster activities began during this period. This Agreement was followed by a new Growth Agreement (2008 to 2010). This was followed by a national tourism strategy from 2011-2020 to increase the profitability of tourism. Underpinning the strategy is recognition that product development and innovation based on cluster ideology, strategies, and collaboration.

### **Evidence of performance**

The broad policies of fostering collaboration between different actors in Iceland have been evaluated in the past. For instance, the Akureyri (Eyjafjörður) Growth Agreement I (2004-2007) was evaluated by



the RHA Research and Development Centre at the University of Akureyri in 2008. The Agreement was designed to promote the structure and growth of health, education and research, tourism, and food clusters and networks. The evaluation included the attitudes of the residents of Eyjafjörður, other Icelanders, and changes to the population. On business environment and competitiveness, seven factors were assessed but the results were inconclusive because the RHA was only responsible for one of the seven factors. On cluster growth and regional development of the four clusters, the four clusters achieved their goals, the overall educational level of the area improved, thereby leading to more regional development. The Agreement did not attract any foreign investors.

Overall, as RHA was only partly responsible for the evaluation of the Agreement, the evaluation could not conclude whether the Agreement achieved all of its outlined goals.

### **Cluster support instruments**

Within the Iceland Tourism Strategy 2021-2030 the Icelandic government supports the cooperation of regional actors within cluster organisations. In addition to these activities, there are no more funding instruments in place for cluster organisations.

### **Cross-regional / international cooperation**

The European Cluster Partnerships have been launched by the European Commission to encourage clusters from Europe to intensify collaboration across regions and sectors. No cluster organisations from Iceland have been involved.

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## Annex

Criterion of maturity assessment	Description	Scoring (points between 0 and 2)
<b>Policy scope</b>	assessment whether the country has a dedicated cluster policy, or cluster creation and/or development is targeted through broader policies, e.g. foreign trade policies, labour and social policies or specific sectoral policies, e.g. industrial policy tourism policies, agriculture policies	<b>absence of cluster policy = 0</b> <b>existence of broader policies = 0,5</b> <b>existence of specific sectoral policies = 1</b> <b>existence of targeted cluster policies = 2</b>
<b>Continuity of cluster policies</b>	assessment of the duration and experience of the country in carrying out cluster policies. This criterion assesses only existence of targeted cluster policies and not broader policies or sectoral policies	<b>absence of policies supporting cluster development = 0</b> <b>cluster policy established recently (within the last 2 years) = 0,5</b> <b>cluster policy established between over 2 and 10 years = 1</b> <b>cluster policy established over 10 years ago = 2</b>
<b>Evidence of performance</b>	assessment whether there are evaluations of past and ongoing policies and a monitoring system in place. The existence of monitoring and evaluation mechanisms determines the degree of policy development in the country	<b>no evaluation and / or monitoring available = 0</b> <b>existence of evaluations of past policies, e.g. ex-ante = 0,5</b> <b>existence of monitoring or an ongoing / interim evaluation =1</b> <b>existence of monitoring and ex-ante or ongoing / interim evaluation =2</b>
<b>Cluster Support Instruments</b>	assessment whether the policies provide any instruments to support the policy implementation, being these financial and/or technical support	<b>no instruments for cluster development =0</b> <b>financial support for cluster development in the broader and / or sectoral policy = 0,5</b> <b>financial or technical support for cluster development in dedicated cluster policy = 1</b> <b>financial and technical support for cluster development in dedicated cluster policy = 2</b>

Source: ECCP (2022)