



EUROPEAN CLUSTER
COLLABORATION PLATFORM

Country factsheet

Iceland

An initiative of the European Union



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01

Introduction and economic policy context



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1. Introduction and economic policy context



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 2023](#). The “Economic Survey” present the major challenges faced by the country, evaluate the short-term outlook, and make specific policy recommendations:

The economic landscape in Iceland remains robust, yet challenges persist, particularly in the context of ongoing inflation. The economy experienced rapid growth, driven by a swift recovery in foreign tourism and robust domestic demand. However, growth is anticipated to decelerate in 2023, influenced by tightening financial conditions. Inflation has been a persistent concern, peaking at approximately 10% in early 2023 and extending to domestic services. Notably, energy's impact on inflation is limited, given Iceland's reliance on domestic sources. Growth projections indicate a gradual slowdown, attributed to moderating foreign tourism, tightening financial conditions, and heightened uncertainty.

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.

02

National cluster policy, programmes and initiatives



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2. 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 comparative purposes. This is followed by a complementary descriptive text to provide more insights about the cluster policy in Iceland.

Table 1: Overview of Icelandic cluster policy

Policy type:	National cluster policy
Policy name:	Cluster strategy for Iceland
POLICY OBJECTIVES 	Strengthening cooperation between companies or industry and RTDI actors Increasing competitiveness and boosting scale up of SMEs Supporting internationalisation activities Enhancing the visibility of clusters Fostering R&D activities, technology development and implementation Fostering innovation and strengthening innovation ecosystems Promoting entrepreneurship, start-ups and spin-offs Promoting social and sustainable economy and other solidarity-based initiatives Promoting employment and upgrading skills and competences Strengthening the network of cluster organisations/cross-clustering Cluster analysis and support for policymaking



Policy type:	National cluster policy
Policy name:	Cluster strategy for Iceland
	<p>The cluster policy strategy is prepared on the basis of a parliamentary resolution appointing a working group that would be given the task of formulating an official cluster policy. The policy includes an arrangement on how the public sector strengthens the support system of the economy at the national level in cooperation with the economy, research and educational institutions, the local authorities and other interested parties concerned. The strategy was developed in connection with the policy and action plan of the Science and Technology Council 2017-2019, and its goals are the following:</p> <ul style="list-style-type: none"> a. to allocate funds for economic development and regional development in a targeted manner, b. to promote cooperation between science and industry, c. to promote innovation, d. to strengthen the competitiveness of companies, industries and the nation, e. to promote prosperity. <p>The goals of the Cluster Strategy for Iceland support the goals of the Innovation Strategy for Iceland from 2019, the Science and Technology Policy from 2020, the focus of the report "Iceland and the Fourth Industrial Revolution" from 2019 and the Icelandic Strategic Agency's focus in the export sectors of 2019.</p>
POLICY FOCUS 	<p>Cross-sectoral</p> <p>The strategy analyses and addresses all clusters in Iceland.</p>



Policy type:		National cluster policy
Policy name:		Cluster strategy for Iceland
RESPONSIBLE AUTHORITIES 		In charge of implementation Provides funding Oversees the implementation
		The Ministry of Business and Innovation (Atvinnuvega- og nýsköpunarráðuneytið)
BENEFICIARIES 		SMEs Cluster organisations Research organisations Academic institutions Start-ups Technology centres
		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.
INSTRUMENTS 	Financial	Funding collaboration initiatives Support to R&D projects, SMEs becoming cluster members, etc.
	Technical assistance	Infrastructure: coworking spaces, offices, incubation and accelerator spaces, research centres, technology parks etc. Support for networking and partnership building (at national and/or international level) Marketing activities: advertising, communication, events, fairs, etc.
	Explanation	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.



Policy type:		National cluster policy
Policy name:		Cluster strategy for Iceland
HISTORY 	Period	Unlimited period
	Ending year <i>(for policies with limited period)</i>	
	Starting year	2021
	Explanation	
BUDGET 	Overall	Unknown
	Annual	Unknown
	Source of funding	Iceland Government
POLICY EVALUATION 	Availability	in-itinere
	Results	No final evaluation has been released.
POLICY ALIGNMENT ITH THE EU PRIORITIES 		Green economy Digitalisation Resilience



03

State of cluster policy



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3. State of cluster policy

This section presents an overview on the state of play of Icelandic cluster policy in the form of a qualitative assessment across four categories of analysis – policy scope, continuity of cluster policies, evidence of performance, and the range of cluster support instruments. Please refer to the **Annex** for the detailed overview of the categories and the scoring system. The table below presents an overview of the **state of play of Icelandic cluster policy** for 2023.

Table 2: State of play

Iceland	State of play
POLICY SCOPE	Absence of cluster policy
	Broad policy
	Sectoral policy
	National and/or regional cluster policy
CONTINUITY	No cluster-specific policy available
	Cluster policy established recently
	Cluster policy established between over 2 and 10 years
	Cluster policy established over 10 years ago
EVIDENCE OF PERFORMANCE	No evaluation and / or monitoring available
	Existence of evaluations of past policies
	Existence of monitoring or an ongoing / interim evaluation
	Existence of monitoring and ex-ante or ongoing / interim evaluation
CLUSTER SUPPORT INSTRUMENTS	No instruments for cluster development
	Financial support for cluster development in the broader and / or sectoral policy
	Financial or technical support for cluster development in dedicated cluster policy
	Financial and technical support for cluster development in dedicated cluster policy

Source: ECCP (2023)

The text below provides a **qualitative description** of the state of play of the cluster policy in Iceland.

Policy scope

The concept of clusters was introduced officially to the country in 2003 and since then, broad and regional policies have included cluster development and growth. Since 2021 a cluster strategy for Iceland exists.



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 the recognition that product development and innovation are based on cluster ideology, strategies, and collaboration. 2021 a cluster strategy for Iceland was introduced.

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 in 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, and 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 support the cooperation of regional actors within cluster organizations. In addition to these activities, there are funding instruments in place for cluster organizations within the innovation policy from 2019 and the science and technology policy 2020–2022, where a picture of the research and innovation ecosystem is drawn to describe this interaction and opportunities to strengthen connections and synergies within the ecosystem.

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.

References



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Annex

Table 3: Analytical framework for the state of cluster policy

Criterion	Description	Categorical variables
Policy scope	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	absence of cluster policy existence of broader policies existence of specific sectoral policies existence of targeted cluster policies
Continuity of cluster policies	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	absence of policies supporting cluster development cluster policy established recently (within the last 2 years) cluster policy established between over 2 and 10 years cluster policy established over 10 years ago
Evidence of performance	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	no evaluation and / or monitoring available existence of evaluations of past policies, e.g. ex-ante existence of monitoring or an ongoing / interim evaluation existence of monitoring and ex-ante or ongoing / interim evaluation
Cluster Support Instruments	assessment whether the policies provide any instruments to support the policy implementation, being these financial and/or technical support	no instruments for cluster development financial support for cluster development in the broader and / or sectoral policy financial or technical support for cluster development in dedicated cluster policy financial and technical support for cluster development in dedicated cluster policy

Source: ECCP (2023)