On the way to a new cannabis market

An evaluation of the preparatory phase of the Controlled Cannabis Supply Chain Experiment

Summary

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Summary

Background

Since the 1970s, Dutch soft drugs policy has been characterized by an approach in which the sale of cannabis in coffeeshops is tolerated under certain conditions. However, the production and trade of cannabis are not tolerated and are criminalized under Article 3 of the Opium Act. This creates a somewhat paradoxical situation where a coffeeshop owner cannot legally purchase cannabis but can, legally, sell it. The idea of regulating the supply of cannabis to coffeeshops has been raised multiple times in the House of Representatives and by a group of mayors over the past three decades. However, successive cabinets have rejected this idea, citing international agreements and a political preference for a more repressive coffeeshop policy. The 2015 report 'Het failliet van het gedogen' by the Association of Dutch Municipalities (VNG)[1] renewed the political debate and paved the way for a D66-led legislative proposal in the House of Representatives for the legal tolerance of cannabis cultivation and sale through a 'controlled cannabis supply chain.'

Controlled Cannabis Supply Chain Experiment

In its October 2017 coalition agreement, the newly formed Rutte III announced the start of a Controlled Cannabis Supply Chain Experiment', in response to the political and administrative discussions and the initiative for a legislative proposal. The cannabis experiment aims to determine if and how regulated, professional growers can supply quality-controlled cannabis to coffeeshops in a decriminalized, controlled chain[2]. During the experimental period, cannabis cultivation, distribution, and sale would no longer be punishable under certain conditions. The controlled nature of the chain is intended to prevent interference from illegal cannabis products and producers and leakage of regulated cannabis into channels other than coffeeshops.

The experiment involves a (temporary) regulation of (part of) the cannabis market, not legalization. Through this experimental approach, conducted in 10 medium-sized municipalities, the potential effects of regulation on public health, crime, safety, and nuisance can be measured. According to the cabinet, given potential reactions from surrounding countries, the experiment had to be limited in scope, temporary, and reversible[3].

[1] Meesters, M. (2015). Het failliet van het gedogen (The failure of tolerance. Towards the cannabis law. Administrative working group on modernizing cannabis policy, VNG).

[2] For readability, we refer to the 'cannabis experiment' instead of the 'Controlled Cannabis Supply Chain Experiment.'

[3] There have been various international developments in this area, allowing the position of the Netherlands in its cannabis policy to be placed in a broader context (see Hoorens et al. (2024). Internationale ontwikkelingen in cannabisbeleid voor recreatief gebruik. International developments in cannabis policy for recreational use).

Objective, Problem Statement, and Evaluation Approach

The cannabis experiment has a long history: the announcement in the Rutte III coalition agreement dates to October 2017, and in December 2023, the municipalities of Breda and Tilburg launched the preparatory phase. The transitional phase began in all 10 selected municipalities in June 2024. The responsible ministries of Justice and Security (JenV) and Health, Welfare, and Sport (VWS) requested an evaluation of the process to gain insight into what 'did and did not go well' in the preparation phase of the experiment. This allows lessons from this phase to be mapped out. BBSO carried out the evaluation, commissioned by the Research and Data Centre (WODC)[4].

The problem statement for the process evaluation is formulated as follows:

"What did and did not go well so far regarding the creation and implementation of the legal framework and the policy that was not directly translated into law or regulations, the roles and responsibilities of and cooperation between involved parties, the recruitment and selection of participating municipalities and growers, the substantive input of involved parties, and the communication, and what lessons can be learned from this?"

The evaluation includes an analysis of the reasons behind the cannabis experiment and the various processes during the six-year preparation phase, involving the cooperation of numerous organizations and parties to enable a controlled chain of regulated cannabis production, distribution, and sale in local outlets. Various types of documents were reviewed, and interviews were conducted with many stakeholders from government organizations at the national and local levels. Discussions were held with representatives from JenV and VWS, members of the Knottnerus advisory committee, mayors of participating municipalities, policy officers from the 10 experiment municipalities, representatives from the National Police and the Public Prosecution Service (OM), and representatives from the Inspection for Justice and Security (IJenV) and the Netherlands Food and Consumer Product Safety Authority (NVWA). A total of 48 public sector representatives were interviewed. Private sector parties were also involved in the research: interviews were conducted with six designated cannabis growers, 22 coffeeshop owners from the experiment municipalities, six informants from the coffeeshop industry, and field visits were made to coffeeshops and growers. Finally, an expert meeting with four scientists was organized. These experts assessed the insights gained about the preparatory phase of the cannabis experiment from a criminological and public administration perspective.

Establishment and Implementation of the Legal Framework for the Cannabis Experiment

During the preparatory phase of the cannabis experiment, a comprehensive and detailed legal framework was developed as a result of political debate. The regulations, which took effect on July 1, 2020, include the Law, the Decree, and the Regulation. The Decree elaborates on the general outlines of the experiment as set out in the law.

Before this, extensive debates were held in the House of Representatives and the Senate about the purpose and design of the cannabis experiment and the implementation of the Decree. There were two years between the submission of the legislative proposal (July 2018) and the law's enactment

[4] WODC is a Dutch agency in the field of Justice and Security, it is an independent knowledge institute that falls under the Dutch Ministry of Justice and Security.

(July 2020), which aligns with the average duration of legislative processes. Although the legislative process for the cannabis experiment did not deviate significantly from other legislative processes, the potentially rapid implementation was delayed by the Senate's treatment of the bill and the time it took for the law to come into effect. The Senate's role in assessing the bill's feasibility, necessity, and legal quality, alongside the political judgment, was a significant factor.

A part of the policy was incorporated into revised regulations after the law's enactment, including changes to the decree. During the preparatory phase, some requirements for coffeeshop owners and growers in the participating municipalities were found to need adjustment or clarification (such as rules about the stock coffeeshops can hold and regulations for growers on how to destroy cannabis or hashish waste). The regulation further elaborates on the law and the decree, covering issues like the lottery and selection process for growers and requirements for cannabis quality and packaging. The regulation and decree were amended three times during the preparatory phase after the law's enactment.

Formal Roles, Responsibilities, and Collaboration of Parties in the Cannabis Experiment

The creation of a controlled cannabis supply chain in what is for the government a relatively unfamiliar and partly illegal "grey market" can be considered a significant governmental operation, as it involves the entire chain of cannabis production, distribution, and sales. During the preparation of the cannabis experiment, a large number of stakeholders were involved by the two responsible ministries, for whom formal roles, responsibilities, and forms of collaboration had to be determined.

The roles and responsibilities of the 10 participating municipalities[5] are defined in the "Controlled Cannabis Supply Chain Experiment Decree." Formally, participation in the experiment means that these municipalities must adjust their local ordinances and policies to align with national legal rules. Additionally, municipalities are required to prepare to monitor the coffeeshops according to the experiment's rules and in cooperation with national supervision bodies.

In the pursuit of controlled regulation of the cannabis market, with a strictly controlled chain of production, transportation, purchasing, and selling of cannabis, supervision plays a crucial role. To this end, the involved organizations (IJenV, NVWA, municipalities, police, and the OM) drew up a joint "Supervision and Enforcement Agreement." This agreement outlines the coordination and agreements on actual collaboration activities, particularly concerning the involvement of IJenV, NVWA, and municipal supervisors. The role of the police and OM in the cannabis experiment will be limited to investigation and prosecution in cases of "flagrant violations" of the experimental laws and regulations, specifically if the controlled nature or integrity of the chain is compromised.

For the regulated production of cannabis, a selection procedure has been established where designated growers, as private enterprises, are given a license to cultivate weed and hashish on a large scale for recreational use. The decree includes provisions regarding the government's actions in

[5] The following 10 municipalities have been selected for the experiment: Almere, Arnhem, Breda, Groningen, Heerlen, Maastricht, Nijmegen, Tilburg, Voorne aan Zee, and Zaanstad. In these 10 municipalities, there are a total of 79 cannabis retail outlets.

processing and selecting (up to 10) growers, granting the designation as a grower, the requirements imposed on designated growers, and the potential revocation of the grower designation.

The requirements for coffeeshop owners are also included in the decree and apply to all coffeeshops in the participating municipalities. The decree contains provisions on the sale of hemp or hashish, stock levels, requirements for sales staff and education, packaging, and tracking and tracing of the weed or hashish in the coffeeshops using a track-and-trace system[6]. Furthermore, coffeeshops must comply with additional rules set by the mayor of the experiment municipality under Article 12 of the Controlled Cannabis Supply Chain Experiment Decree. Based on the developed track-and-trace system, the IJenV and municipal supervisors will monitor the controlled chain in coffeeshops.

Municipalities and the Cannabis Experiment

The recruitment and selection of the 10 experiment municipalities were carried out through a call to municipalities with coffeeshops by the two ministries, followed by a selection round by the Knottnerus advisory committee[7]. The cabinet adopted the committee's nominations of municipalities. This selection process went well: the selected experiment municipalities responded positively about the applied selection and nomination procedures during the preparation phase. Some municipalities have expressed an urgent need to address the "backdoor problem" (the illegal supply of cannabis to coffeeshops) and have communicated this urgency to the national government. Other municipalities are more interested in the feasibility of a controlled chain and have more tempered expectations regarding potential effects on crime, safety, and consumer health.

Additionally, the adjustments to local regulations due to the cannabis experiment went smoothly and did not cause delays during the preparation phase. Moreover, it did not create a formal bottleneck in the intergovernmental relations between the national government and the municipalities conducting the experiment. The mayors of the experiment municipalities are empowered to establish additional rules for coffeeshops, which municipalities view as an important role for the mayor and, by extension, the local government.

The municipalities where regulated cannabis growers will be located were not initially known during the preparation phase of the experiment and were not named in the legislation (from July 2020). They became formally involved through the application process by prospective growers to the Ministry of Health, Welfare, and Sport (VWS). The mayors of the municipalities where growers submitted an application were allowed to provide advice on public order and safety (a Public Order and Safety Advice, or OOV advice) to the ministries.

[6] In the track-and-trace system, the cultivated cannabis products are provided with a unique identification marker. This allows for monitoring of where the product was cultivated, to whom it was delivered, and how much has been sold.

[7] This committee, chaired by Professor Knottnerus, advised the ministers of Justice and Security and for Medical Care and Sports in its first report on the establishment of a controlled cannabis chain (June 2018). The committee subsequently also issued advice on the nomination of municipalities for participation in the experiment with a controlled cannabis chain (August 2019).

Recruitment and Selection of Cannabis Growers for the Cannabis Experiment

The growers, as producers of cannabis, represent the first link in the proposed controlled cannabis supply chain. In this context, a transparent and adequate recruitment and selection process for private parties that could meet the requirements for regulated cannabis cultivation was necessary during the preparatory phase. The decree of the cannabis experiment outlines the rules for applying for designation as a grower and the requirements that a grower must fulfil. The experimental model opted for a limited number of large-scale cannabis producers who would be under the control of the national government (considered a form of 'regulated privatization' of the cannabis market). The decree specifies that a maximum of 10 growers could be designated.

After receiving 147 applications from private parties to produce regulated cannabis, a national working group selected 51 applications (from 42 candidates). More applications were positively assessed than the established maximum of 10 growers, and a lottery was held. In choosing a lottery procedure, the ministries refer to the principle of 'scarce rights' and the role of competition law[8].

The selection and designation process for cannabis growers took a significant amount of time and was less effectively executed during the preparatory phase. In the initial phase of selection, an evaluation procedure was applied that provided little insight into which applicants would ultimately meet all criteria. The information provided in the submitted business plan, cultivation plan, security plan, and proposed location did not provide a sufficient basis for assessment. The lack of a definitive location for growers led to prolonged procedures. The issues surrounding 'cultivation location and spatial planning' received little attention from the ministries, despite being one of the factors delaying the entire process.

Additionally, growers faced higher costs due to changed market conditions during their preparations. As a result, they had to seek additional funding channels. Some growers made interim adjustments to their ownership and business structures, which also led to new, prolonged Bibob procedures (a screening process to prevent abuse of public funds)[9]. Moreover, the problem of growers' inability to open bank accounts was not anticipated. Finally, during the preparatory phase, the ministries did not utilize the option to attach conditions to the designation as a grower regarding the commencement of the designation until the summer of 2024. In this respect, the ministries applied no formal mechanism to encourage progress in cannabis production.

The Contribution and Experiences of Involved Parties in the Experiment

Since the cannabis experiment aims to regulate an existing, illegal cannabis market, where public and private parties have different positions and interests, the question regarding the contributions made by involved parties and the experiences they have had arises.

[8] A right (or permit) is scarce if the number of applicants exceeds the maximum number of available permits. The legal standard is based on the principle of equality, which in this context aims to provide equal opportunities.

[9] This involves an integrity investigation into the background of the applicant and the associated business. This investigation is carried out under the Public Administration Probity Screening Act (Bibob Act).

Contributions of the Government and Parliament in the Preparatory Phase of the Experiment

The initiation of the cannabis experiment was included in the 2017 coalition agreement of Rutte III as a compromise among coalition parties. The political desire to regulate the cannabis chain varied among the ruling parties, with only D66 being a strong advocate for the experiment. Extensive plenary debates were held in parliament regarding the legislation during the preparatory phase. Furthermore, numerous written parliamentary questions were raised, and eleven motions and four amendments were submitted. The bill for the cannabis experiment was approved by a significant majority in the House of Representatives on January 22, 2019, and the Senate passed the proposal on November 12, 2019, following a vote. In the coalition agreement of the Rutte IV cabinet, it was agreed to expand the cannabis experiment to include an 11th municipality, specifically a major city. However, the cabinet's plan to include Amsterdam (district East) in the cannabis experiment was narrowly rejected by the House of Representatives on March 5, 2024.

Contributions and Experiences of Experiment Municipalities

The slow progress in the preparatory phase of the experiment has been a consistent agenda item in the administrative meetings between mayors of experiment municipalities and ministries. Local officials have advocated for speeding up the process and, over time, proposed incorporating a small-scale testing phase into the experiment. This led to the initiation of the additional preparatory phase in December 2023 in the municipalities of Tilburg and Breda. The political pressure from local officials was a contributing factor in shaping this preparatory phase, which had not been foreseen as a separate phase in the experiment.

Contributions and Experiences of Cultivation Municipalities

Cultivation municipalities generally had limited visibility into the potential impact of cannabis production on the surroundings and faced challenges regarding spatial planning aspects within their municipalities (such as environmental permits, zoning plans, and input from residents concerning a cultivation site). Coordination between the ministries and cultivation municipalities in this regard has been less effective, with the ministries taking little responsibility. The lack of insight into the impact of relevant spatial planning aspects and the absence of support from the ministries were considered challenges by cultivation municipalities during the preparatory phase.

Contributions and Experiences of Supervision and Enforcement Agencies

In the cannabis experiment, new, specific tasks were assigned to the IJenV and the NVWA. IJenV supervises the controlled nature and integrity of the chain from cultivation to sale in coffeeshops, while the NVWA oversees the cultivation and quality of cannabis, its packaging, and the prohibition on advertising for growers. Organizing these new tasks has required time and energy from these organizations, both in terms of substance and capacity, but has not led to significant delays in the overall process of the preparatory phase. In the initial phase, when collaboration agreements were to be established, it became evident that the organizations were not always well-informed about each other’s tasks and visions for their involvement in the experiment. Particularly, communication between the supervising parties (IJenV and NVWA) and the police/OM was unclear in the early stages, resulting in additional time needed to establish the enforcement arrangements.

IJenV's supervision also applies to coffeeshops in the experiment municipalities; however, municipalities carry out the enforcement there. Supervision of the coffeeshops is conducted both by IJenV and local authorities. The design of supervision and enforcement in the local experimental setting requires adjustments and expansions that necessitate new collaborative forms between parties (IJenV and municipalities). For comprehensive supervision across the entire chain (at the growers, distribution, and coffeeshop levels), a track-and-trace system was developed by the Judicial Information Service (Justid) on behalf of the Ministry of JenV. This system was built from scratch by the government without input from existing external expertise and has faced initial operational challenges.

Contributions and Experiences of Investigation and Prosecution Agencies

From the chosen premise that administrative enforcement takes precedence in the cannabis experiment, the police and the OM occupy the role of 'observers at a distance.' The police will act as the 'strong arm' at the request of a local supervisor if public order and safety are at stake. While the OM participates in discussions at various levels in the context of the experiment, it states that it is not a participant in the experiment. However, the OM will decide to initiate an investigation and prosecution in cases of 'flagrant violations' of the experiment's rules. To this end, a central reporting point has been established by the police and OM.

Contributions and Experiences of Cannabis Growers

In the selection and designation process for growers, various delays occurred, hindering progress in the preparatory phase and postponing the start of the experimental phase. Three growers have been supplying regulated cannabis to the coffeeshops since the additional preparatory phase began in Tilburg and Breda in mid-December 2023. Since the start of the transition phase in June 2024 across the ten experiment municipalities, only these three growers have been supplying cannabis. Most of the designated growers experienced one or more challenges and delays during the preparatory phase: in finding and securing a suitable cultivation location, establishing their business structure, ensuring financing, navigating the Bibob procedure, and obtaining a bank account. The extent to which growers experienced these challenges during the preparatory phase varied, as did the timing of when they encountered these issues. For instance, one grower was able to begin large-scale production early on, while others are still in a trial phase, producing cannabis on a small scale. Scaling up can occur after a certain lead time in the cultivation process that is necessary for developing the expertise needed to achieve the desired quality of regulated cannabis. The production of hash poses significant challenges: there are questions about the potential quality of the hash compared to the already available Moroccan hash in the market and the (high) costs associated with hash production. In this context, designated growers may consider not producing hash, potentially limiting the availability of regulated hash within the experiment.

Contributions and Experiences of Coffeeshops in the Cannabis Experiment

The 79 local coffeeshops in the ten experiment municipalities form the final link in the controlled cannabis chain. The experiment requires adjustments in areas such as procurement processes, relationship management, operations, product offerings, and the commercial approach of the coffeeshops. The majority of the coffeeshop owners interviewed in the experiment municipalities

support the idea of the experiment and believe that regulating the cultivation and procurement of cannabis is desirable. They see significant benefits in having a new supply channel for regulated quality-controlled cannabis. However, there is also a degree of hesitation due to uncertainty about the future prospects following the experiment's conclusion. The legislation and planning of the experiment only refer to a 'phase-out period.'

Coffeeshops are particularly dependent on a sufficient supply of diverse, high-quality, regulated cannabis from the designated growers at a competitive price. If the growers are capable of providing this, the coffeeshops believe it could pave the way for a successful cannabis experiment.

Communication and Coordination Surrounding the Cannabis Experiment

During the preparatory phase of the cannabis experiment, the two ministries established a communication strategy that utilized various information channels and initiated both formal and informal consultations with stakeholders. The involved ministries invested significantly in providing information to stakeholders and the public. This included setting up a central/digital point of contact for stakeholders, an application portal, periodic emails for stakeholders, supplementary information on the government's website, and various factsheets, brochures, and manuals. The implementation of formal communication channels was effective; the communication was broadly structured and informative.

Starting in February 2020, both ministries also established several formal working groups and informal consultation formats with stakeholders. The setup of this broad consultation structure in the initial phase of the experiment's preparations was executed well and was initially rated positively by the experiment municipalities. However, due to subsequent delays in the process and a lack of clarity from the ministries regarding the implementation of the following phases, the sense of 'urgency' regarding the experiment among stakeholders diminished.

Streamlining information and maintaining continuity became less effective; the multitude of partly overlapping information flows and consultation formats required municipalities to allocate capacity, leading to a perception that the consultation structure was less efficient as the preparatory phase progressed.

Conclusions

In evaluating what did and did not go well in the various aspects identified in the preparatory phase of the cannabis experiment, we formulate the following main conclusions:

- Development and Implementation of the Legal Framework for the Cannabis Experiment

While the two-year period between the submission of the legislative proposal and the enactment of the law aligns reasonably with the average processing time for regular legislative processes and thus cannot be classified as 'less successful,' it can be considered a relatively long period from the perspective of experimental legislation. The intended advantage of a relatively rapid update of societal circumstances, specifically the establishment of a controlled cannabis supply chain through the introduction of experimental legislation, has been lost due to political discussions surrounding the regulation of the 'back door' and the complexities involved in defining the subordinate regulations for the experiment.

- Roles, Responsibilities, and Cooperation among Parties in the Cannabis Experiment

Coordination regarding the formal roles and responsibilities of public and private parties took considerable time but was generally handled reasonably well. The agreements regarding engagement and coordination among various stakeholders became clear during the process. However, the delineation of roles and responsibilities among organizations responsible for supervision and enforcement remains unclear in certain areas.

- Municipalities and the Cannabis Experiment

The recruitment and selection of experimental municipalities proceeded well through the established selection and nomination process. The selected municipalities exhibited a pronounced interest in participating in the experiment due to the significance of regulating the cannabis chain. However, the position of cultivation municipalities has been undervalued by the ministries, and communication was inadequate; the challenges related to 'cultivation locations and spatial planning' in these municipalities have received little attention from the responsible departments.

- Recruitment and Selection of Cannabis Growers for the Cannabis Experiment

The implementation process during the preparatory phase was hindered largely due to delays concerning the selection and designation of growers for regulated cannabis production. Issues related to cultivation locations, business structure, financing, Bibob procedures, and bank accounts emerged during this time. These factors led to multiple shifts in the experiment's timeline. The government's premise that the experiment could only commence once "the quantity, quality, and diversity of the produced hemp and hashish were sufficient to fully and sustainably supply the participating coffeeshops" increasingly became a constraining factor in the progress of the cannabis experiment, as the required number of producing growers fell short.

- Contributions and Experiences of Involved Parties in the Experiment

The contributions and experiences of parties involved in the experiment are varied and relate to differing perspectives on the transformation towards a regulated coffeeshop chain and the willingness to contribute to it. National supervisory authorities received new tasks in an unfamiliar field that required investment and the establishment of collaborative relationships. Organizations involved in law enforcement observed the cannabis experiment from a distance as an administrative experiment primarily focused on administrative enforcement. Initial cooperation among these supervisory parties encountered some hurdles due to a lack of familiarity with each other's roles and responsibilities but is generally regarded positively. Cultivation municipalities feel somewhat undervalued by the ministries, particularly as they have received relatively little support regarding 'cultivation locations and spatial planning.' The majority of growers have not managed to produce cannabis within a reasonable timeframe, encountering several challenges in the preparatory process. Expectations regarding the cultivation of high-quality hashish by designated growers are low. Coffeeshops generally support the idea of the experiment, seeing benefits in a new supply channel for regulated, quality-controlled cannabis. However, there is also hesitance due to uncertainty about the future after the experiment. Mayors of the experimental municipalities played a significant role in breaking the deadlock during the preparatory phase. The political pressure from local leaders has been a contributing factor in shaping a preliminary phase of the experiment, which was not initially planned as a separate phase.

- Communication and Coordination Surrounding the Cannabis Experiment

Both ministries effectively implemented communication channels regarding the cannabis experiment, which have been broadly established and informative. The extensive consultation structure for networking with stakeholders initially had a positive impact, but stakeholders now view it as 'over-organized' and less efficient, partly due to the ongoing shifts in the experiment's timeline.

General Lessons from the Preparation Phase of the Cannabis Experiment

The evaluation of the preparatory phase of the cannabis experiment raises questions about the lessons that can be learned for the future of this experiment, and possibly for other types of long-term and/or experimental policy trajectories of the government.

Determining the Desired Scale of an Experiment

During the preparatory phase of the cannabis experiment, the cabinet made a political choice regarding the scale of the experiment. The decision to involve 10 municipalities with 79 coffeeshops and 10 growers, coupled with the initial premise that a complete and sustainable supply of coffeeshops by growers needed to be achieved before starting the experiment, significantly impacted the progress of the preparatory process. The previously unforeseen introductory phase for the experiment in 2 municipalities demonstrates that a smaller-scale approach allows for quicker experimentation and the ability to resolve potential teething issues. This aligns with the concept of a growth model for experiments, which advocates for testing on a small scale initially to assess outcomes and implement improvements gradually. For future projects and experiments in sectors or

markets that are relatively unfamiliar to the government, it is crucial to identify and assess the desired scale of the approach in policy and execution in advance.

Building Expertise on Market Issues

Although the involved ministries sought information from various public and private parties in the Netherlands and abroad at the start of the preparatory phase regarding the possibilities for regulated cannabis cultivation, insufficient information and expertise were available during the subsequent preparations to accurately address the emerging issues faced by the designated Dutch growers (including cultivation locations, business structure, financing, Bibob procedures, and bank accounts). Limited attention was given to the commercial and financial aspects of cannabis cultivation. The Knottnerus committee did not specifically highlight these issues in its advisory report on the setup of the cannabis chain. Additional expertise is needed in areas relevant to the development of the approach, including commercial business models and strategies in agriculture and small and medium-sized enterprises, financing and banking, taxation, and spatial planning. The light testing during the selection of growers in the cannabis experiment provided inadequate insight into which applicants would be able to meet production requirements within a reasonable timeframe. For potential comparable experiments, this expertise is essential, considering the significant public and private interests involved for both the government and the relevant industry, including economic/commercial aspects. An integrated approach in this respect means starting not only from the idea of public health and safety but also from promoting a healthy and viable business model for the market.

Understanding Regulation of an Unknown (Shadow) Market

In the case of the cannabis experiment, the national government intervenes in a cannabis market that has long operated in an illegal shadow zone and still partially does. This market has its own dynamics, and it is crucial for the government to know and understand these dynamics and characteristics when conducting such an experiment. The Knottnerus committee's report on establishing a 'cannabis chain' refers to the potential influence of those involved in the illegal cultivation of soft drugs but does not mention the lessons learned from previous studies on other shadow markets. The introduction of a new 'market model' through regulation may lead to unforeseen circumstances, mechanisms, and players emerging. Scientific evaluations of previous government interventions involving some form of legalization, such as in the prostitution industry and the gambling and online gaming sectors[10], highlight the importance of thoroughly considering the assumptions and expectations surrounding the regulation or legalization of a shadow market.

Establishing a Strong Project Organization

A significant government operation, such as the cannabis experiment, requires a solid and clear project structure within the government. This structure should include clear agreements between the responsible ministries and relevant partners (both nationally and locally). Based on the desired

[10] Spapens, A. (2013). Reguleren van illegale markten: De Nederlandse ervaringen met kansspelen en verdovende middelen (Regulating Illegal Markets: The Dutch Experiences with Gambling and Controlled Substances). Nelen, H. (2008). Evidence maze; het doolhof van het evaluatieonderzoek (Evidence Maze: The Labyrinth of Evaluation Research).

involvement, responsibilities, and expertise, it must be determined which departments (directorates and divisions), and stakeholders will be involved in the policy approach and execution. In the cannabis experiment, the project has been managed by the ministries of VWS (Health, Welfare, and Sport) and JenV (Justice and Security) due to their responsibilities for healthcare and safety. The Knottnerus Committee also emphasized the need for an integrated approach that avoids siloing and fosters good cooperation between the domains of public health, justice, and safety. Since the cannabis experiment encompasses multiple policy fields and areas of expertise, these should be integrated into the project structure flexibly. It is also essential to ensure that this knowledge is secured over the long term, minimizing personnel turnover and preventing excessive layers of management to avoid 'over-organization' and the loss of knowledge and information.

Transparency and Focus on Communication and Network Formation

The preparatory phase of the cannabis experiment is characterized by delaying processes and frequent changes in the schedule. During this process, departments were regularly confronted with new questions from stakeholders and encountered issues requiring interim solutions. Although the ministries organized frequent meetings with stakeholders to keep them informed about progress, both public and private parties reported that they often did not receive (immediate) answers to their questions and identified issues. Many aspects still required internal discussions and decision-making within the ministries. This resulted in a loss of trust among partners regarding the timely commencement of the experiment, threatening the experiment's momentum. Given the societal and political importance and innovative nature of the cannabis experiment, transparent and mutual communication regarding the status and potential issues in policy formation is essential, particularly toward stakeholders. In light of the initiated transitional phase of the experiment, the ministries could consider shifting from thematic working groups to more localized communication about the experiment, fostering mutual information exchange between ministries and stakeholders within the experimental municipalities.

Rigorous Selection and Management of Producers/Suppliers

The light testing during the selection of growers in the cannabis experiment provided inadequate visibility regarding which applicants could ultimately meet all criteria. The submitted business plan, cultivation plan, security plan, and location proposal offered insufficient foundation for this assessment. The issue surrounding cultivation locations could have been mitigated by implementing two selection rounds, allowing only growers with a suitable location or a (conditional) lease agreement to participate in the first round. In a potential second round, if there were still available slots, growers without a cultivation location could participate. The banking issues faced by growers could have been avoided had the requirement for a bank account or bank statement been established at the outset of the application process[11]. The procedure that was applied partly stems from unfamiliarity with the market and the organizations the government must approach for specific services. This underscores the importance of the government possessing its own expertise to

[11] Diekema, R. en J. van der Vange (2024). Legale wietexperiment (Legal Cannabis Experiment).

adequately assess service offerings. Such knowledge is also desirable for timely and clear engagement with producers/suppliers regarding their offerings.

Demonstrating Partnership and Knowledge of Local Context

The cannabis experiment initiated by the Rutte III cabinet is being executed in a local context: within experimental and cultivation municipalities. The Knottnerus committee already highlighted the necessity of effective interaction between the national government and local authorities in this context. Knowledge of the local context and the involvement of ministries are crucial. Particularly, the cultivation municipalities have expressed a desire for clearer frameworks; they were insufficiently involved in the process despite being locations for cultivation and relevant stakeholders. In terms of 'good governance,' and to help address local challenges, the national government should provide substantive and organizational support in such new or comparable policy initiatives. For interventions with significant policy impact and extensive implementation requirements, the national government should also present itself as a reliable partner to local authorities.