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ADVISORY REPORT

To the minister of Economic Affairs and Climate policy
Mr S.A. Blok
PO Box 20401
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Date: 13 October 2021
Reference: Rli-2021/2484
Cc:

Subject: Rli advisory report Investing in sustainable growth

Dear Mr Blok,

Over the past year, the Council for the Environment and Infrastructure (Rli) has followed with interest the developments regarding the National Growth Fund (referred to below as the Growth Fund), with which the government intends to invest in the future growth of the Dutch economy. Now that the first round of submissions for project proposals is over and the second is approaching, we have established from the experiences gained that there are ways to increase the Growth Fund's added value. We have set out the options in this advisory letter.

The government set up the Growth Fund in 2020 to maintain the Netherlands' long-term earning capacity. This preservation of earning capacity - and thus of prosperity and well-being - is not as self-evident as it was in previous decades. The competitiveness of our traditional economy is becoming less certain under the influence of various radical changes, such as the digitalisation of society and the transition to a climate-neutral, low-resource and nature-inclusive economy. In the future economy, the current, familiar earning models will no longer yield enough to bring prosperity and well-being to the desired level.
The Rli therefore endorses the idea underlying the Growth Fund: that targeted public investments, in addition to spending from the regular national budget, can make an essential contribution to future prosperity.

In this letter we set out six focus areas regarding the government's mandate for the independent Advisory Committee on the National Growth Fund (referred to below as the Growth Fund Committee), the first round of investment proposals and their assessments. We are thus taking as our starting point the mandate as formulated in the legislative proposal for the National Growth Fund Act. Under the focus areas, we formulate our observations and analyses and accompany them with recommendations. We believe that these recommendations could help increase the impact of the Growth Fund on sustainable earning capacity for the future. Our recommendations are addressed primarily to the government, which, as the Growth Fund Committee's principal, has defined the frameworks within which the investments from the Growth Fund should be shaped. Some of the recommendations are also addressed to the Growth Fund Committee itself; we indicate this explicitly where that is the case.

This advisory letter also covers the considerations formulated by the Growth Fund Committee following the first submission round. On various points, the Committee's considerations coincide with the focus areas and recommendations that we put forward in this advisory report.

This advisory report is presented to the ministers for Internal Affairs & Kingdom Relations, Economic Affairs and Climate, Finance, Infrastructure & Public Works and Agriculture, Nature and Food Quality, as well as to the Speakers of the Senate and House of Representatives of the States General of the Netherlands.

Focus area 1: The government's mandate for the Growth Fund must be better aligned with its own growth strategy

In 2019, the government set out a long-term national growth strategy (EZK, 2019). The growth strategy aims to strengthen the Netherlands' 'sustainable earning capacity' for future generations and ensure that the national economy makes a 'leap in growth'. In the strategy, these ambitions are explicitly linked to the necessary transition challenges in the physical living environment:

> '...the creation of our prosperity [must] be brought back in line with the ambitions concerning climate and nature. This requires [...] a transition to a climate-neutral and circular economy' (EZK, 2019, p. 5).

The Growth Fund was subsequently established as one of the instruments the government intends to use to implement the objectives of the growth strategy.

The Growth Fund thus arises directly from the national growth strategy. We note, however, that in its mandate to the Growth Fund Committee, the government has significantly tempered its original ambitions. The letter in question no longer describes what the Growth Fund is intended to achieve in terms of strengthening sustainable earning capacity but as 'structurally increasing gross domestic product'. The government explains this as follows:

> 'Increasing the productivity of the Dutch economy ensures that our national income will rise in the future. This [...] leads to more tax revenue for the government, so that the Netherlands can continue in the future to enjoy the benefits of high-quality collective packages, such as our healthcare and pensions [...], high-quality education, excellent infrastructure and an attractive, green living environment, also for future generations' (Finance 2020, p. 2-3).

This explanation of the mandate for the Growth Fund implies that the government wants the current economy to grow to make it financially possible for us to continue to benefit from - among other things - an 'attractive green living environment'. Little remains of the ambition in the growth strategy to make a 'transition to a climate-neutral and circular economy' and thus *to renew* the current economy. We note that there is an inconsistency here. The terms of reference for the Growth Fund seem to ignore the fact that economic growth to date has been accompanied by increased carbon emissions, higher consumption of resources and a serious loss of biodiversity.

The curtailment of the original level of ambition is partly reflected in a subtle semantic shift that the government has made in the terms of reference for the Growth Fund. In the mandate to the Growth Fund Committee, the 'sustainable earning capacity' from the growth strategy was translated into 'structural growth in GDP'. The government thus puts a spin on the word 'sustainable'. In relation to the Growth Fund, this word - unlike its customary usage in political and social discourse - is now used as a synonym for 'structural'. The government is thus tempering the original ambitions of the growth strategy. As a result, the sustainability boost initially envisaged will fade into the background. We find this unjustifiable because that boost for the transition to a competitive, climate-neutral and circular economy is of vital importance.

From a European perspective, too, it would be preferable for the government to maintain the original green ambitions of the national growth strategy in full in its mandate to the Growth Fund. This is because the interpretation of the term 'sustainable' in the growth strategy is much more in line with the economic strategy of the European Union (EU). With the 'European Green Deal', the European Commission aims to design a new economic model that makes Europe the world's first climate-neutral continent and leads to new innovation and investment opportunities and new jobs. At EU level, various Green Deal measures are currently being worked out, and legislation that will also be decisive for the Netherlands is being developed. Therefore, in line with European policy, there is every reason to explicitly use the Growth Fund to make the economy more sustainable.

The Growth Fund's mandate does however state that the investments made from the fund must not conflict with the government's climate ambitions. However, we believe that the ambition expressed in the growth strategy calls for more than a policy that is merely 'not in conflict' with sustainability policy. In our opinion, the ambition to create a sustainable economy that is also internationally competitive in the longer term and generates sufficient earning capacity only has a chance of success if investment in economic growth is accompanied by improving the sustainability of the living environment and bringing about a just society, without losing sight of their interdependence.

Recommendation 1
Take 'sustainable earning capacity' as referred to in the growth strategy as the starting point for the Growth Fund's mandate, and focus investments on strengthening earning capacity within a carbon-neutral, low-resource, nature-inclusive and socially just economy.

We advise the government to ensure that the funding from the Growth Fund to structurally increase GDP is used for projects that, in line with the growth strategy, are unambiguously aimed at realising sustainable earning capacity. Only a sustainably earned GDP will ultimately prove to be of structural value. Future earning capacity must therefore fit within the ecological limits of the planet. The growth strategy translates these ecological boundaries into 'carbon-neutral and low-resource'. We believe that 'nature-inclusive' should also be added to meet the urgency of the biodiversity challenge.

It will be clear that social justice is another indispensable component of a sustainable economy and support for the transitions. The various aspects of social justice, such as employment, income disparities and the distribution of social benefits, must, in our view, occupy a central position in standard government policy. That is why the social effects of investments from the Growth Fund will also have to be socially just. In our opinion, this justifies the Growth Fund's mission, which is to achieve sustainable - i.e. within the ecological limits of the planet and socially just - earning capacity.

It is important to avoid a situation where investments from the fund support parts of the economy that will no longer be viable in the future. Among other things, this means that not every investment in technological innovation is desirable by definition. In the digitalising economy, it is evident that many investment proposals will focus on digital applications. But as we argued in our advisory report Digitally Sustainable (2021), not every investment in digitalisation leads to *sustainable* earning capacity.

Investments will therefore have to focus on projects that are in line with a sustainable economy - also in the longer term - and that also help, if possible, to further develop such a sustainable economy.

Focus area 2: Investments from the Growth Fund need to be given more direction to contribute to sustainable earning capacity

As indicated above, the government has set 'structural growth in GDP' as the central aim in the mandate for the Growth Fund. However, it is questionable whether this concept is suitable as a compass for public investments that align with the development towards a future-proof, sustainable economy. Practice shows that this is not the case. There are numerous ways of pursuing the goal of 'structural growth in GDP'. The investment proposals submitted to the Growth Fund Committee in the first round address many themes and have very different approaches. This illustrates the scope and diversity of the Growth Fund's task. But at the same time, the multitude of themes and approaches points to a lack of direction, and fragmentation.

Based on the first round of project proposals for the Growth Fund, the Netherlands Bureau for Economic Policy Analysis (CPB) has also concluded that growth in GDP is too one-sided a guide for public investments. This is not only because the effects on nature and the environment, health and social welfare are not covered, but also because the goal of increasing GDP provides little guidance as to which developments are desirable from a social perspective (CPB, 2021).

An analysis by TNO confirms this observation. The institute notes that many of the first-round investment proposals for the Growth Fund are not aimed at a fundamental transition to a sustainable economy. They also make little connection with the major transition tasks facing the Netherlands in terms of mobility, energy, digitalisation and climate change (among other things) and their potentially disruptive consequences. The proposals submitted for infrastructure projects, for example, are primarily intended to remove bottlenecks in how we transport people, goods and energy *in the current economy* (TNO, 2021).

The TNO analysis confirms an observation we made in an earlier advisory report in 2019, i.e. that a transition process without a clear focal point or a guiding perspective will concentrate mainly on maintaining the status quo (Rli, 2019). Therefore, we believe that there is a real risk that the investments made from the Growth Fund will maintain the existing economy and will be at odds with actual economic renewal due to the lack of direction referred to above and the absence of a connection to the transition tasks.

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In our 2019 advice, we identified a certain lack of vision in the government and a reluctance to make any pronouncements on the type of society the sustainability transitions should bring us. This lack of vision is reflected in the establishment of the Growth Fund. In fact, the choice of direction is left to the consortia of market parties, knowledge institutions, local authorities and civil-society organisations that submit investment proposals. However, we believe that the government should map out the route to a sustainable economy and set the associated preconditions. For example, it must be clear what objectives are to be achieved, what government resources are available and what income effects are acceptable. Within these preconditions and objectives, the market can develop the corresponding solutions and earning models. The anticipated transitions simply require coordination because certain social challenges are beyond the ability of the market to resolve them itself. This includes the choice of future energy mixes and the realisation of the associated infrastructure.

Recommendation 2
Set the direction for the investments from the Growth Fund by linking up with goals already formulated for relevant social challenges that help achieve a sustainable economy.

To ensure that Growth Fund investments are genuinely aimed at realising sustainable earning capacity as intended in the growth strategy, in its mandate for the Growth Fund the government should seek to link up more directly with the objectives that have already been formulated for relevant social challenges and whose solution is important for the realisation of the growth strategy.

With this recommendation, we share the Growth Fund Committee's view. Looking ahead to the second round of project submissions, it has indicated that it would welcome investment proposals that contribute to social issues:

> The Committee would like to see proposals that address the major social transitions, such as the energy transition, and thus strengthen both economic growth and sustainability. [...] In the field of *R&D and Innovation*, the Committee would welcome proposals that increase earning capacity and contribute to major social issues such as the energy transition, sustainability, health, care, and physical and digital security. [...] In the area of *Infrastructure*, the Committee encourages proposals in the areas of digital infrastructure, energy infrastructure, water infrastructure and innovative mobility proposals (National Growth Fund Committee, 2021, p. 21-22).

The United Nations has formulated the Sustainable Development Goals, which the Netherlands has endorsed. The UN Development Goals relate to 17 social issues, each operationalised in a set of concrete goals. These can provide tools that can be used to set the direction. The UN development goals also have a broader perspective than the growth strategy because, in addition to the ecological component of sustainability, they consider the social element very important to a sustainable economy (see Recommendation 1). The EU has already addressed several of these challenges in its policies.[1] It is of great importance that investments from the Growth Fund fit within

[1] Examples include the policy initiatives that address the goals of the Green Deal 'zero net greenhouse gas emissions by 2050', 'economic growth without depleting raw materials' and 'no person or region left behind', and the five missions formulated in the European research and innovation programme 'Horizon Europe': (1) climate change adaptation; (2) cancer; (3) climate-neutral and smart cities; (4) healthy oceans, seas, coastal and inland waters; (5) soil health and nutrition.

the European Green Deal one reason being to be able to make optimal use of co-financing from the available European budgets.

At national level, too, various cross-sector social challenges can set the direction for the investments from the Growth Fund. For example, the goals for climate (95% CO_2 reduction by 2050) and raw materials (fully circular economy by 2050) are closely aligned with the growth strategy. Relevant social missions and associated objectives have already been formulated with many parties in the field (businesses, knowledge institutions, civil-society organisations) as part of mission-driven innovation policy.

However, we believe it is important to note that not all social challenges and missions identified by the current or previous governments, or put forward by the Growth Fund Committee, are equally relevant to achieving sustainable earning capacity - the main objective of the Growth Fund. The CPB rightly states that social challenges must be prioritised to make sure the Growth Fund budget is used effectively (CPB, 2021). Such prioritisation is partly a political consideration; in this context, we advocate active citizen involvement in the goals and missions of the Growth Fund. To a certain extent, however, this can be objectively underpinned by looking into which social challenges are most relevant in the long term for realising future growth potential, for example. The debate on this could make a valuable contribution to the development of a sustainable economy in the Netherlands.

In our view, these prioritising and selecting exercises should not lead to the designation of strictly delineated, hard-wired investment areas linked to specific economic sectors, industries, institutions or groups. It is not the intention that the government should carry out programme management for the business community, nor should it be a licence for 'picking winners', where the government determines which sectors or companies are most important for future earning capacity. The direction indicated by the government should in fact encourage society as a whole to formulate proposals that contribute to solutions for social issues that can increase the sustainable earning capacity.

Focus area 3:The Growth Fund must be complementary to regular government investment in terms of content
Projects submitted must meet the precondition of additionality to be eligible for an investment contribution from the Growth Fund. For each investment proposal, the Growth Fund Committee therefore considers whether the investment could also be made by private parties. The Committee also checks that the investment does not involve any existing or planned budgetary expenditure from the national budget. This is not inconceivable because the ambitions of the growth strategy will not be realised solely with investments from the Growth Fund. After all, regular government budgets are also spent on policy areas relevant to the growth strategy. That expenditure also contributes (or should contribute) to the additional structural growth in GDP targeted by the growth strategy.

This last observation raises the question of what exactly the additionality of the Growth Fund is *at fund level* compared to regular budgets and regular funds, such as the Mobility Fund and the Delta Fund, and the standard innovation and science policy. In its mandate for the Growth Fund, the government states that investments must be additional to existing public investments, but it does not specify them. That is regrettable. As far as we are concerned, the Growth Fund must not be used to fill the financial voids of existing funds, such as the Mobility Fund. However, this is likely to happen. For example, the 'scale-up projects' for public transport submitted in the first round for the Growth Fund differ at most in their financial scope from regular investments from the Mobility Fund. The decision to use the Growth Fund for these projects was made partly because only a limited budget is still available in the Mobility Fund.

If the additionality of the Growth Fund is, on closer inspection, mainly financial in nature and comes down to supplementing deficits in the regular budget, we see little added value compared to standard budgets and funds.

Recommendation 3
Clarify the type of public investments the Growth Fund can be used for, given its specific objective. Make explicit the substantive additionality to regular budgets and funds, particularly regarding investments from the Mobility Fund and the Delta Fund, and ensure sufficient resources for existing funds.

We are making this recommendation because we believe that clearer choices are needed regarding the content of the investment objectives for which the Growth Fund is used. In our opinion, the substantive added value of investment proposals compared to the existing policy (substantive additionality) should outweigh the lack of sufficient financial resources in the current policy. The challenge of securing sustainable economic earning capacity for the future and linking it to the sustainability transitions is so big and so fundamental for the Dutch economy that investments from the Growth Fund should genuinely add something to existing policy efforts. In most cases, these will be investments that are not yet being made as part of existing policy because of their innovative nature and associated higher risk profile, although they do contribute to fulfilling the missions the government has in mind (see Recommendation 2).
The substantive additionality that we are arguing for here also requires that the standard funds from the national budget for the coming years be filled sufficiently so that the necessary regular investments can continue to be made.

Accessibility as an example
In our opinion, the 'scale-up projects' for public transport submitted for the Growth Fund should be financed from the standard Mobility Fund and not from the Growth Fund - precisely because of the importance of substantive additionality of the Growth Fund. Indeed, the contribution of scale-up projects to sustainable earning capacity is expected to be limited (CPB, 2016) and not focused on the long term. An additional budget would need to be allocated to the Mobility Fund from the regular budget to finance these projects. This is an insight shared by the Growth Fund Committee, which states:

> The scope and associated costs of scaling up the infrastructure ('scale-ups') are beyond the scope and budget of the NGF. Given the importance of an integrated approach to housing, working, education and travel, the Committee advises the government to set aside sufficient resources for this in the regular budget (National Growth Fund Committee, 2021, p. 1). 18).

Focus area 4: Encourage coherence between investments from the Growth Fund and with other government policies

The mandate for the Growth Fund states that investments from it must be made in three pillars: 'knowledge development', 'research, development & innovation' (RD&I) and 'infrastructure'. The combined investments from the Growth Fund, in infrastructure, in RD&I and the knowledge and skills of the (working) population, must take the Netherlands closer to a carbon-neutral, low-resource, nature-inclusive and socially just economy to secure our sustainable earning capacity for the future. Coherence between investments increases the likelihood of success of the Growth Fund missions (recommendation 2). This coherence is not being sufficiently promoted or monitored at present.

That is not to say that each project proposal must relate to at least two or three pillars, but it does mean that synergy between the investments can have added value and should therefore be encouraged. This potential synergy is barely reflected in the investment proposals submitted and accepted in the first round for the Growth Fund. The proposed RD&I projects, for example, strongly emphasise technological innovation and focus on the development and application (valorisation) of technologies with a view to growth in GDP. The connection with developments in education and the opportunities that such key technologies offer or may offer for the desired development towards a sustainable economy are only reflected to a limited extent.

Something similar applies to the scale-up projects submitted under the infrastructure pillar, particularly those for which funds have already been earmarked. These project components are primarily aimed at realising or improving traditional infrastructural connections in conjunction with the urbanisation issue. Little or no link is made with investments in RD&I or knowledge that could help improve sustainable accessibility for everyone in urban areas.

We partly attribute the one-sided orientation of the various project proposals to the fact that the government itself, but also the social arena, is organised in sectoral structures. As a result, there is a lack of cross-fertilisation between parties in different networks and a lack of good interplay between regime and niche players (Rli, 2019). This impedes the emergence of cross-sectoral innovation that could strengthen a coherent approach to social challenges. In our opinion, the orientation of project proposals should not be determined by how the social playing field is organised or by the often still sectoral working methods of the government authorities involved, but by the social challenge at hand.

Of course, investments from the Growth Fund are not the only government instrument available for increasing sustainable earning capacity. In our opinion, more attention should be paid to the relationship between the Growth Fund and other government instruments. We believe that investments from the Growth Fund should not be viewed separately from the various other policies and instruments that the government is deploying and can deploy to bring about the transition to a sustainable economy. The Growth Fund does not currently encourage people to reflect on what - in addition to public investment - is needed to realise the growth strategy ambitions, such as the possible use of pricing, regulation, support for networks or information. But the transition to a sustainable economy calls for the deployment of a range of closely interrelated instruments.

We also feel that there is too weak a link between the three pillars of the Growth Fund and European policy and programmes such as Horizon Europe or LIFE. Many social issues offer starting points for an international approach, which could help set the direction for seeking solutions.

Recommendation 4
Direct the coherence between (a) the investments from the Growth Fund and (b) the Growth Fund and other funds/policy instruments. Do this from the perspective of sustainable economic growth: what is needed to achieve the corresponding social objectives?

We believe that the Growth Fund would be made more effective by focusing more on strengthening the coherence between investments from the various pillars in relation to the Growth Fund's prioritised missions (recommendation 2) and on the coherence between Growth Fund investments and investments from other funds or other government policy instruments. It is vital for the government to take a strong lead at fund level by establishing a link between the Growth Fund's prioritised missions and existing national programmes, such as *Nederland Circulair in 2050* ('The Netherlands Circular by 2050'), the *Programma Energiehoofdstructuur* ('Main Energy Structure Programme'), and *Duurzaam Door* ('Moving Sustainably Ahead'). The coherence of investment proposals from the three pillars in relation to these missions should be considered in the pre-selection of proposals. We believe that the government itself is responsible for exercising such control. But when issuing advice, the Growth Fund Committee could also focus more on the coherence of investments and give a more positive assessment of projects that exploit potential synergies. The submitting consortia may also be asked to address the question of how their investment proposals relate to other investments and policy aimed at the Growth Fund's missions.

To fulfil its directing role, the government will also have to consider its own role in creating sustainable earning capacity in connection with the Growth Fund. The national government must create the preconditions to ensure that the investments from the Growth Fund generate maximum returns for society. This can be done, for example, by streamlining or adjusting existing policy and regulations, introducing new pricing mechanisms or regulations, connecting players from different pillars or linking investments to European programmes and funds.

In its report on the first submission round, the Growth Fund Committee notes that the government barely fulfilled this facilitating role in the project proposals submitted. The Committee recommends that the submitting parties, in consultation with the ministries concerned, look into what the government can do to increase the chances of success. Moreover, the Committee itself makes a number of recommendations in this direction in its report. One such recommendation is the call to facilitate the construction of pipelines by reserving an appropriate budget for embedding it in planning policy. We endorse this recommendation of the Committee. However, we believe that the government should take the lead in this as director and fund manager.

Focus area 5: Align the assessment framework more closely to the objective of 'sustainable earning capacity'

The Growth Fund's main goal is to generate additional growth in GDP. As touched on above (see focus area 2), pursuing growth in GDP is not in itself an adequate approach to promoting investments in a future-proof, sustainable economy.
Moreover, it is difficult in practice to estimate the effect on GDP of individual project proposals, as various analyses of the submitted proposals show (RVO, 2021; SEO, 2021). The Growth Fund Committee itself comes to this conclusion in its advice to the government (National Growth Fund Committee, 2021). In the Committee's opinion, it is sometimes difficult to link the projected effects on future earning capacity described in the project proposals to a project. The varied underlying

assumptions make these estimated effects barely comparable. Therefore, the estimates probably say little about the actual scope of the future effect on GDP.
Project proposals can therefore only be assessed to a very limited extent in terms of their contribution to growth in GDP, the Growth Fund's main objective. Nor is there a GDP target for the Growth Fund as a whole: the amount of the additional growth in GDP targeted by the Growth Fund has not been quantified.

All other potential effects of submitted project proposals are mapped out in the social cost-benefit analysis (SCBA) made for each investment proposal for the Growth Fund. In the assessment framework used for this purpose, a positive balance between social benefits and costs is a precondition for financing from the Growth Fund. Investment proposals with a negative balance will not as a rule receive a contribution. This precondition in itself provides a degree of certainty that the investments from the fund will benefit society as a whole. However, a positive SCBA balance says nothing about a project's contribution to individual social objectives. This is because the SCBA instrument does not have an intrinsic preference for certain social benefits. As we have explained above (recommendation 2), we believe that the Growth Fund should have that intrinsic preference: the benefits must relate to sustainable earning capacity in the usual sense of the word 'sustainable', and the projects should therefore focus on social challenges associated with this.
We would also like to draw attention to the fact that sustainability boundaries will limit the earning capacity of existing economic activities in the future. We have already seen this in the case of nitrogen. If projects facilitate future growth in GDP (elsewhere in the economy) by creating space within the sustainability boundaries, they are not given an extra positive valuation in the current SCBA system. This is another reason why an SCBA does not present the complete picture of the potential of projects to secure economic growth in a sustainable economy. For the sake of this future growth in GDP, we believe it is important that the Growth Fund also enables investment in projects that remove future obstacles to the capacity for growth.

Finally, the Growth Fund Committee assesses project proposals on the criteria of 'strategic underpinning', 'quality of the plan' and 'quality of the cooperation and governance'.[2] It thus also gives a *qualitative* assessment of various aspects of the proposals.
The 'strategic underpinning' criterion, in particular, allows the Committee to test project proposals against the extent to which they contribute to realising the growth strategy and other government objectives and consider the coherence between project proposals. The underlying assessment elements - including the criterion 'contributes to social transitions' form a starting point for considering what a project could mean for the transition to a climate-neutral, circular and nature-inclusive economy.

The Committee made use of this scope in the first assessment round. However, the relationship with the government's transition objectives has not been established in all cases and, as yet, little attention has been paid to what the sum of the projects means for future earning capacity and how Growth Fund projects are interrelated (see also focus area 4).

Recommendation 5

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[2] The project proposals are also subject to another two preconditions - additionality and subsidiarity - which are not discussed in this advisory letter.

Explicitly include in the assessment framework the need to consider the contribution of proposed projects to the sustainability of the earning capacity.

5a. Do not take a project's independent positive long-term contribution to growth in GDP as a selection criterion but rather as a precondition.

We recommend that the independent effect of the project on GDP no longer be used as a selection criterion but rather as a precondition in the assessment of project proposals. We therefore recommend keeping the assessment relatively light and giving it the form of a binary precondition (expected effect on GDP: 'meets'/'does not meet' the requirements). The objective of increasing economic growth stays in the picture (projects without an independent positive effect on GDP do not qualify for a contribution from the Growth Fund). However, at the same time this does justice to the fact that the effect of projects on GDP is difficult to calculate and, for that reason, has little practical added value when assigning scores to various investment proposals. However, a threshold might be applied, requiring a minimum estimated effect on GDP from an investment proposal. The assessment could also be differentiated for each pillar, e.g. in view of the uncertainty about the effect RD&I projects have on GDP.

5b. Use not only the SCBA balance but also the information on its individual elements when assessing the 'strategic underpinning' of project proposals and accounting for the selection process.

We see the positive outcome of an SCBA in itself as a convenient and useful precondition for investment proposals, even though the SCBA balance is not enough to assess the substantive contribution of an investment proposal to all the relevant elements of broad prosperity.
On the other hand, an SCBA does provide an insight into the expected effects of proposed projects, both quantitatively and qualitatively. This could ultimately contribute to making informed decisions about the contribution of submitted project proposals to broad prosperity. It is precisely this type of consideration that comes into play when assessing the strategic underpinning of proposed projects. We therefore call on the Growth Fund Committee not only to use the SCBA results as a precondition for selecting investment proposals but also to use the SCBA studies as a transparent source of information for assessing (under the 'strategic underpinning' criterion) the contribution to the realisation of relevant social objectives (see recommendation 5c).

5c. Add a selection criterion that focuses on the contribution of investment proposals to realising the social goals explicitly identified in the 'missions' for the Growth Fund.
We recommend that proposed future projects be assessed in terms of their contribution to social objectives or missions relevant to the growth strategy (see recommendation 2). Currently, the Growth Fund Committee uses a positive balance of social costs and benefits as a precondition. In our opinion, this is too narrow an approach to guaranteeing actual sustainable earning capacity because it also includes projects that do not contribute (significantly) to the chosen mission.
In our opinion, investment proposals that have an overall negative impact on social objectives in terms of carbon emissions, the use of raw materials, nature inclusiveness or social justice do not fit into the economy of the future. For example, if an investment proposal leads to additional greenhouse gas emissions and does not contribute to a reduction elsewhere in the economy, the project in question should be excluded from funding. In our opinion, the investments from the Growth Fund should preferably bring the sustainable economy a step closer. This can also be achieved with projects that create environmental scope for future growth in GDP in other sectors.

Since the indicators 'growth in GDP' and 'positive SCBA balance' do not fully reflect the positive significance of such investment proposals for future sustainable earning capacity, we believe they should have a greater chance of being accepted, even if the direct benefit-cost balance is less favourable than that of other projects (but still positive).
We therefore recommend introducing a positive weighting criterion, which favours proposals that make a greater contribution to transition goals. This should include, as a precondition, hard lower limits for the effects on the ecological and social boundaries of the planet, derived from the social goals relevant to the growth strategy. Examples include limits on carbon emissions or the effects on the use of materials and resources. Failure to respect these limits can then be used as an exclusion criterion.

Focus area 6: Involve society more closely in the investments from the Growth Fund and the direction they provide for the future development of the Netherlands
A sound and transparent assessment framework for submitted project proposals is not only important for the legitimacy of the investment choices. Such an assessment framework can also be used to explain to the general public why the government wants to make these investments. After all, the ambitions of the Growth Fund and the government's growth strategy are important to the entire Dutch population. It is also important to note that this is borrowed money, which all taxpayers will have to pay towards in the future. The general public must be able to understand why these choices were made and not others.

During the first round, the Growth Fund Committee clearly invested a great deal of time and energy in providing a sound and objective basis for its opinion. The Committee is also transparent in this respect: all the underlying documentation is easily accessible on the Internet, for instance. However, its work also appears - to some extent inevitably - to be technocratic, in particular due to the quantitative assessments of GDP effects and SCBAs. We also feel that the relatively small group of parties involved in advising on investments consists mainly of subject matter experts and experts with economic knowledge. The risk of groupthink is thus ever-present. A broader view of the investment proposals and an engaging and enthusiastic narrative about why and how the selected investments will help society towards a sustainable future in which prosperity and well-being are guaranteed could help to further strengthen public support for the Growth Fund and the fund's effectiveness in the longer term.

Recommendation 6
Communicate more with the outside world about the actual and intended results of the Growth Fund and the work of the Growth Fund Committee. Do not limit this communication to the domain of experts and submitting parties. Use the choices made by the Growth Fund as input into the public debate on the development towards a sustainable economy and the attractive prospects that this sustainable economy will bring.

Given the political accountability for government expenditure, the government must clearly and comprehensibly communicate the considerations underlying the investments from the Growth Fund and the results achieved. To reduce the risk of groupthink, the group of assessors could be supplemented with transition experts and financial markets experts.

But we also believe that *social* accountability is important. With a good communication strategy, the Growth Fund can contribute to the public debate on developing a sustainable economy in the

Netherlands and help increase support for it. Therefore, it is worth considering involving citizens in selecting the Growth Fund's goals and missions - as mentioned in Recommendation 2 - and its assessment method so as to increase society's involvement in the investments. At the same time, clear communication with the business community is of great importance. After all, if the Growth Fund wants to drive a new, sustainable economy, the Dutch business community must know which investments are future-proof.
In addition to the national government, we believe that the Growth Fund Committee also has a role to play in this social accountability, by paying attention to comprehensible and inspiring communication about its recommendations. It is very important to communicate transparently on the considerations regarding the 'strategic underpinning' criterion and how they relate to the social challenges.

Clear and comprehensible communication also means that the government must clarify what society *gets in return* for its investments from the Growth Fund. After all, these investments are made with public money, with the government assuming a part of the risk. Therefore, revenues from investments must not only end up with private partners, but must ultimately also benefit society. The Growth Fund Committee has also identified this. Viewed in this light, the Committee recommends that concrete conditions be agreed upon concerning accessibility and ownership of publicly financed investments. In the case of RD&I proposals in particular, clear agreements should be made about the application (valorisation) of developed technology and possible future sales.

Finally
In this advisory report, we have set out to emphasise that the Growth Fund must focus on investments that materially strengthen *sustainable* earning capacity. This means that the investments must be in line with a carbon-neutral, low-resource, nature-inclusive and socially just economy, also in the long term. Otherwise, the original ambitions of the government to make the economy more sustainable are in danger of being sidelined in the investments made from the Growth Fund.

With this advice, we hope to have offered the government some pointers it can use, in cooperation with the Growth Fund Committee and within the framework of the National Growth Fund bill, to improve how the National Growth Fund is used. We do not rule out the possibility that the focus on growth in GDP and the chosen distribution of investments across the three pillars 'knowledge development', 'RD&I' and 'infrastructure' will ultimately prove insufficient to facilitate the leap in growth towards a sustainable Dutch economy that is aligned to the ambitions of the European Green Deal. In that case, the mandate in the National Growth Fund Act and the investment assessment framework may still need to be reformulated.

Sincerely,
Council for the Environment and Infrastructure,

J.J. de Graeff
president

Dr R. Hillebrand
general secretary

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APPENDIX Responsibility and acknowledgements

Council for the Environment and Infrastructure
The Council for the Environment and Infrastructure (Rli) is the strategic advisory body for government and parliament within the wide remit of sustainable development of the living environment and infrastructure. The Council is independent and provides solicited and unsolicited advice on long-term issues. By adopting an integrated approach and giving advice at a strategic level, the Council aims to contribute to the deepening and widening of the political and social debate and to the quality of the decision-making process.

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