



PRACTICE ABSTRACT № 19

Keywords

Contract design features, contract governance, public goods, AECM, PES, land tenure approaches, value chain approaches

Lessons learnt from the analysis of innovative contract design examples

What types of contracts for integrating biodiversity and ecosystem services into agricultural management exist, which features are most widespread and what innovative combinations of features are promising? Our actor-based typology distinguishes Payments for Ecosystem Services (PES), land tenure contracts, and value chain contracts involving farmers, food processors, retailers, and consumers. Altogether, 62 contracts were analysed based on an extensive set of design and governance characteristics.

Most innovative approaches are found in value chain contracts due to a stronger bottom-up approach, e.g. more tailor-made contracts between (single) producers and processors instead of the generally applicable public programs. However, the measures are mostly action-based. PES contracts funded with public money are innovative with respect to result-based payments rewarding the environmental performances of farmers and granting them more flexibility and autonomy.

In addition to the pure contract types, hybrids are frequent. They combine characteristics from across the pure contract types and show a better tailoring to context.

Soft factors play an important role in contract implementation. A shared vision of all actors, mutual trust and acceptance as well as shared responsibilities are found to be necessary conditions. The pro-active role of farmers and the joint design of measures, together with the funding body and/or their advisory agencies, is important. The involvement of actors at all levels of program and measure development might help to overcome the lacking acceptance of the current AECM programs.

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SUMMARY AND ADDITIONAL INFORMATION



- **Value chain** contracts are most innovative:
 - More tailor-made contracts
 - Stronger bottom-up approach.

- **PES** contracts funded with public money are innovative due to result-based payments.



- **Hybrid** contracts show promising combinations of characteristics and the importance of tailoring to context.

- The **pro-active role of farmers** and the **joint design of measures** is important for success.



For a more detailed description of the study and the results please read our corresponding paper: **Bredemeier et al. (2022):** Insights into innovative contract design to improve the integration of biodiversity and ecosystem services in agricultural management. <https://doi.org/10.1016/j.ecoser.2022.101430>

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ABOUT CONTRACTS2.0

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Contracts2.0 aims to develop innovative contract-based solutions, which increase the motivation for farmers and land managers to produce more environmental public goods and allow them to reconcile the profitability of their farms with sustainability objectives. To do so, 28 research and practice partners closely cooperate to co-design and evaluate the novel contracts. Lessons learned from successfully tested contracts will also provide support for policy makers on local, national and EU-Level.

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All Practice Abstracts prepared by the contracts2.0 project can be found here: <https://www.project-contracts20.eu/in-brief/> & <https://ec.europa.eu/eip/agriculture/en/find-connect/projects/contracts20-co-design-von-innovativen>