

# Project *brief*

Thünen Institute of Rural Studies

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## Innovative contract solutions for the delivery of agri-environment-climate public goods (CONSOLE)

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- **The four studied contract types are result-based payments, collective approaches, land tenure contracts and value chain contracts with environmental requirements as well as hybrid solutions.**
- **They have a great potential to improve the provision of public goods, but added value depends heavily on environmental, legal and social context.**
- **The introduction of new contract solutions is associated with strong learning processes which advocates for a gradual implementation.**

### Background and aims

CONSOLE stands for „CONtract SOLutions for Effective and lasting delivery of agri-environmental-climate public goods by EU agriculture and forestry“. In the project we investigate innovative contract solutions for farmers as well as forest owners that target the delivery of agri-environment-climate public goods (AECPGs). The project, coordinated by the University of Bologna (Italy), involved 25 institutions from 13 countries.

Currently action- / practice-based contracts with flat-rate individual payments dominate. They are criticised for the lack of flexibility regarding management decisions and for not always delivering the intended environmental effects. Therefore, we assessed four novel contract types in greater depth: result-based payments, collective approaches, land tenure contracts with environmental clauses, and value chain contracts that remunerate farmers for the provision of environmental benefits. Contracts being of voluntary nature, not only the contract features themselves but also their initiation and accompaniment are crucial for a successful implementation. For the provision of AECPGs the Common Agriculture Policy (CAP) has a prominent position in providing support to farmers through public payments for public goods. Opportunities are expected by the CAP 2023-2027 that explicitly mentions result-based payments and collective schemes, alongside with consumers' growing awareness of environmental and climate. While public funding still dominates, private solutions are gaining importance. This is especially the case for value chain contracts.

### Approach

A collection of 61 case studies from across 13 countries served as starting point for identifying reasons for successful innovative contract solutions, relevant framework conditions and contract specifications. Based on these findings, the acceptance and feasibility of novel contract solutions were

tested in two pan-European surveys, one targeting land managers and the other one stakeholder who are involved or interested in the design, management and control of agri-environment-climate measures.

Furthermore, model simulations were carried out in order to test innovative contract design options. Parallel to the research work, we established a Community of Practice (CoP), a network of practitioners, decision-makers from policy and business, NGOs and other actors, to accompany the development of novel solutions and to check and test their practicality throughout project lifetime. This has been complemented by trainings, multiplier and roadshow events as communication and outreach activities.



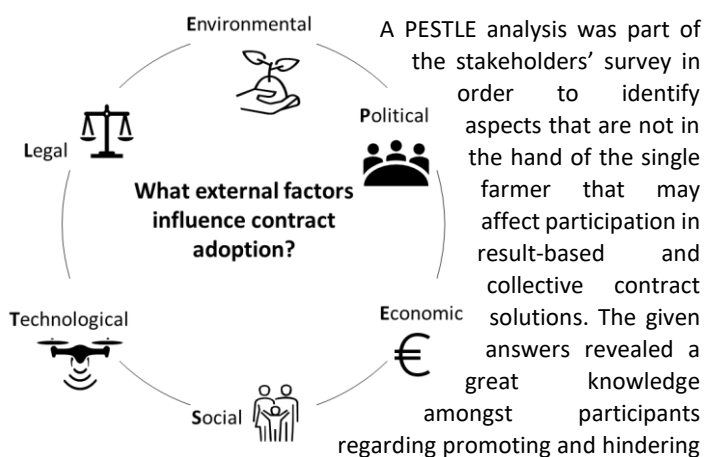
Figure 1: Flowering meadow. In result-based contracts, farmers are rewarded for the presence of a high diversity of plants. Source: T. Runge

### Key findings

A wide range of options for successful innovative contract solutions were identified through the 61 case studies examined, each of them presented in factsheets. They target a wide range of 14 different public goods, including several examples of how to exploit synergies amongst them. Six case studies originate from Germany and are compiled in a brochure ([LINK](#)).

It could be shown that the successful signing of a contract often requires intensive preparatory work and involvement of many more persons than just the signatories. Positive experiences clearly increase farmers' willingness to participate and are crucial for a lasting establishment of innovative approaches.

The survey of 146 German farmers revealed, that they preferred result-based while collective contracts were the least popular. For German farmers' freedom to choose management practices - a key feature in result-based contracts - clearly has a positive impact on their willingness to engage in voluntary measures. A joint payment to be distributed amongst participating farmers, was named as a clear obstacle to participate in collective approaches both by the respondents in Germany and by the respondents of the pan-European survey. In Germany value chain contracts were seen as the most economic beneficial amongst the four options and got a much better ranking than in the average of the twelve surveyed countries. This mirrors the higher level of awareness of such contract types among German participating farmers where 26% indicated that they are actually participating in. Generally, German farmers regarded biodiversity protection as the most suitable AECPGs irrespective of the contract type. Only for the maintenance of landscape and scenery did 42% of the farmers consider the collective approach to be the most suitable of the contract types. Soil protection was the second most selected in land tenure contracts and water protection in collective contracts.



For result-based contracts, economic factors were mentioned most frequently, in particular a comprehensible premium calculation as well as adequate financial remuneration; for collective approaches, it was social factors.

Premium calculation was considered difficult because environmental results are not always immediately visible or attributable to individual farmers, and (extreme) weather events can affect environmental results, putting payments to farmers at risk. In order to overcome such difficulties, combinations of a basic remuneration plus a top-up

performance payment or staggered payments for achieving intermediate goals were proposed. In collective approaches, a positive group dynamic is seen as crucial for success. Fairness, openness to discussion and teamwork were listed as core prerequisites for a well-functioning collective, giving trusted facilitators or moderators an important role. A major obstacle mentioned by several participants was the additional coordination and communication effort, which requires appropriate funding. Clear rules and a well-defined distribution of tasks are also emphasised, inter alia to avoid free-rider behaviour.

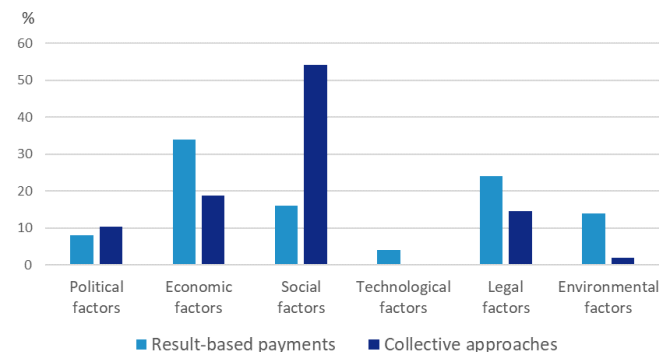


Figure 2: What external factors influence contract adoption? PESTLE results from the survey of German stakeholders PESTLE-results from the German stakeholders' survey (n=51). Source: own figure

For the provision of public goods, the annual eco-schemes in the CAP will play a crucial role from 2023 onwards. Therefore, the draft national plans of 15 EU countries (incl. countries from the sister project EFFECT) have been assessed (see publications below).

In a modelling approach that scales up the German case study "water protection bread", we showed that in wheat cultivation a significant reduction of nitrate discharges and greenhouse gas emissions is possible. This is feasible if the current pricing standard based on absolute protein content in the kernel is replaced by quality agreements in a value chain approach. Fertilisation could be reduced by 40 kg N/ha. This would significantly reduce the risk of nitrate leaching and at the same time lead to a reduction in greenhouse gas emissions, without a reduction in production.

For stakeholders, we summarised the key findings on the legal aspects of the novel contract solutions examined in a brochure (see publications below; [LINK](#)).

## Further Information

### Contacts

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05.2019-10.2022

### Partners

25 institutions from  
13 countries

### Project-ID

2137



### Publications

Runge T, Latacz-Lohmann U, et al. (2022) Implementation of Eco-schemes in Fifteen European Union Member States. EuroChoices, Volume21, Issue2, 19-27. DOI:10.1111/1746-692X.12352

Runge T, Langlais A, Cardwell M (2022) Legal aspects of contract solutions to foster the provision of agri-environment-climate goods: summary for stakeholders. CONSOLE, 19 p

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