



Co-Design of innovative contract models for agri-environment and climate measures and the valorisation of environmental public goods

Principles for contract design and process design – a framework for synthesising the empirical research in Contracts2.0

Deliverable 1.3

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EXECUTIVE SUMMARY

This report describes the framework for synthesising the empirical research carried out in the Contracts2.0 project. It encompasses how we developed the synthesis framework, the steps planned to synthesise empirical material and interpret its meaning, and the cross-checking and validation undertaken to ensure robust findings and recommendations from the Contracts2.0 project.

The synthesis framework captures principles for contract design and process design, as embedded into the respective policy framework and associated governance context. Designing novel contracts involves the whole process, from realising the need for a new type of contract and agenda setting, negotiation and designing to implementation and monitoring. Contract design refers to the resulting contract's characteristics, including, for example, contract parties, duration, objectives, funding sources, and conditions.

The synthesis framework also details the various streams of data, results and lessons learned that were produced across the work packages. These include, for example, internal evaluations, knowledge exchange at cross-CIL/PIL meetings, an inventory of testing stages of novel contracts, insights from the practitioner perspective, policy pitches, experiments and empirical studies.

In order to bring all this material together, the synthesis framework sets out how lessons learned are collected across the WPs, and clustered according to contract design, process design and policy framework conditions. The following step will interpret what the lessons mean and lead to the development of 'solutions' and recommendations for applying the lessons learned, i.e., the project's key messages. These key messages are in a format that policymakers and practitioners can more directly utilise.

Rather than being a predetermined framework existing at project start, the synthesis framework has been evolving since about the mid-point of the project. It is informed by the type of findings that are emerging, the interaction with stakeholders, practitioners and experts, and the learning taking place among project partners. The synthesis framework report represents the current state as of August 2022, eight months before the end of the project.

TABLE OF CONTENTS

Executive Summary	2
List of Figures.....	4
List of Tables	4
Abbreviations	4
1. Background	5
2. Approach and methods.....	7
2.1. Specific evaluation, exchange and synthesis activities.....	7
2.2. From lessons learned to key messages - Developing 'solutions' and recommendations	9
3. Process design	11
4. Contract design	12
5. Policy framework conditions and governance context.....	13
6. Target group specific messages	14
Appendices	14
6.1. Appendix 1	15
6.2. Appendix 2	16
6.3. Appendix 3	17

LIST OF FIGURES

Figure 1. Overview of steps in the synthesis process of Contracts2.0.....	6
Figure 2. Presentation of the process of capturing results as presented at the Copenhagen meeting.	9
Figure 3. Structuring lessons learned according to contract design, process design and policy framework conditions.	10
Figure 4. Developing key messages from lessons learned.	10
Figure 5. Cycle of contract design.	11
Figure 6. Contracts2.0 conceptual framework.....	13
Figure 7. State of testing and mainstreaming novel contracts as of June 2022.	15

LIST OF TABLES

Table 1. Suggested details for contract design stages.	16
Table 2. Contract design features as used in the analysis of existing contracts	17

ABBREVIATIONS

AECS	Agri-environment and climate schemes
CAP	Common Agricultural Policy
CILs	Contract Innovation Labs
PILs	Policy Innovation Labs
TC	Transaction costs

1. BACKGROUND

This report describes how we developed the synthesis framework, the steps planned to synthesise empirical material and interpret its meaning, and the cross-checking and validation undertaken to ensure robust findings and recommendations from the Contracts2.0 project.

Discussions among project partners showed that we needed a framework that captured principles of a) the **process design** for novel contracts and b) the **contract design** that represented what we had learned about contract characteristics and the governance context of a contract.

The framework has critical links to other deliverables and milestones in the project, as detailed below and presented in the flowchart ([Figure 1](#)). Although this captures the main synthesis activities, additional discussions and exchanges (by email, video calls, alongside meetings) have taken place - and are continuing to take place - that contribute small building blocks and insights but are not represented formally.

A key output of the Contracts2.0 project is the **Synthesis Report** on general design principles (**D1.4**) that brings together the project's different deliverables, forming the basis of the Handbook. The main objective of this report is to synthesise case study results and use the project results to develop general contractual design principles that can guide the contractual design of novel agri-environment and climate schemes considering result-based, collective, land tenure and value chain approaches. The Handbook will be a more accessible and user-friendly compilation of crucial insights (for practitioners and policymakers). The final version of the **Handbook for policymakers and relevant stakeholders (D6.3)** will be published in the last month of the project (month 48 – April 2023). It will outline the general requirements of an enabling policy framework for an effective and successful practical implementation of the novel contractual models in Europe.

An overview of the timeline ([Figure 1](#)):

- Chronologically, the synthesis process began with discussions in October 2021 and more formally, with a **Webinar synthesising the main outcomes of WP2 (M2.5)**. The webinar initiated by WP2 was organised via WP6, presenting empirical findings. The session showcased the work to a broad audience and also initiated thinking about commonalities between the strands of work. The webinar recording is provided on the [project website](#) (month 33 – Jan 2022).
- A first **draft of elements and criteria** to help structure the synthesis of the case study results (**M1.3.2**) represented a milestone in the interactions between WP2, 3 and 4 (month 36 – April 2022).
- A WP1 discussion session (**M1.4.2**) at an internal **synthesis event** in Copenhagen in June 2022 allowed in-depth discussion among project partners on WP results and synthesis activities and allocated responsibilities.
- The outputs of both M1.3.2 and 1.4.2 will be integrated into '**Preliminary key insights**' and circulated to partners. Receiving and integrating their comments completes M1.4.1 (month 41 – September 2022) and is expected to produce a sound basis for the Synthesis Report (D1.4).

Three **external synthesis events**¹ are planned that will bring together project partners and external experts to scrutinise and reflect on our findings, their relevance and any remaining gaps:

- Two events in **Berlin** (lead organiser ZALF) bring in a broader range of European-level experts and those involved in particular types of contracts, e.g., EFFECT and CONSOLE projects, Burren Programme, and experts from our networks. The events will have an interactive workshop format with a small number of presentations.
 - 21 Nov 2022:** Synthesis workshop on AECS contracts with results-based and collective elements.
 - 22 Nov 2022:** Synthesis workshop on value chain contracts and label-based approaches.
- Policy Green Paper workshop in **Brussels on 24 Jan 2023** (lead organisers: WP4 leads).

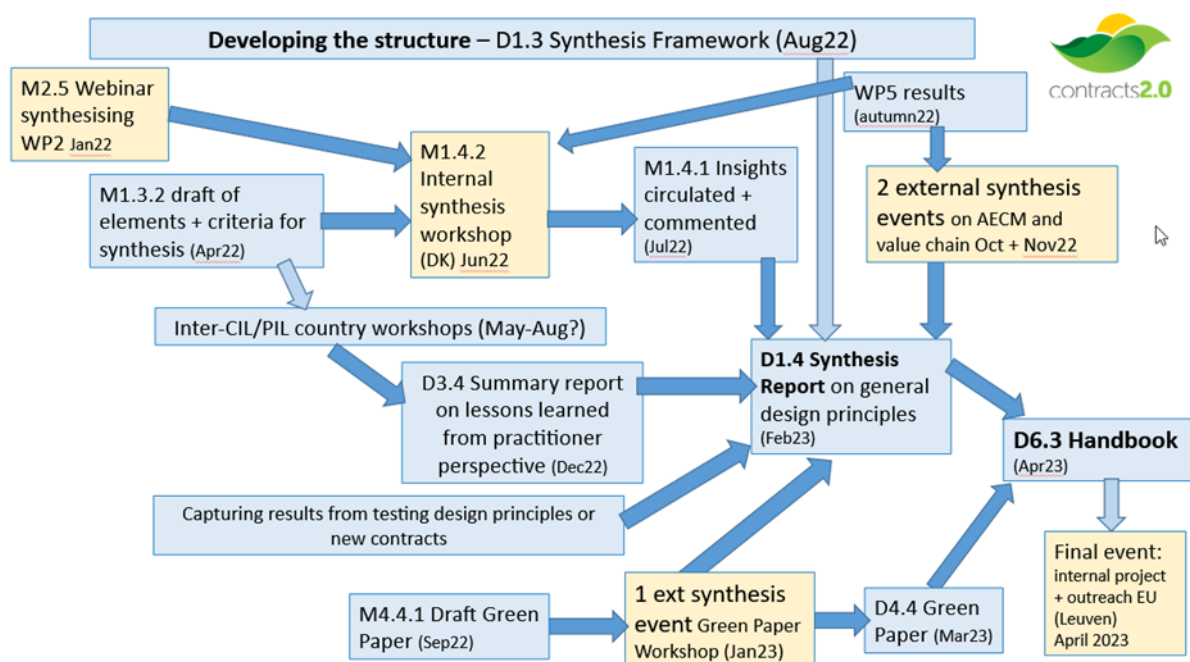


Figure 1. Overview of steps in the synthesis process of Contracts2.0.

Deliverables in WP3 and 4 are being produced alongside this process, in particular:

- **D3.4 – Summary report on European lessons learned** for alternative contract models and their operating context from a practitioner perspective (Month 44), composed of practitioner briefs and two planned research papers; and
- **D4.4 – Policy green paper** on new policies for novel contracts: policy recommendations on contracts for the delivery of environmental public goods in the future CAP (month 47).

¹ Originally, EU-level events were planned earlier in the project but could not happen due to COVID. The Belgium final consortium meeting could be classed as a further external event, where synthesis results are presented.

2. APPROACH AND METHODS

A design thinking and transdisciplinary approach are central to Contracts2.0. To achieve innovation in agri-environmental contracts and the way farmland is managed sustainably for multiple desired outcomes, Contracts2.0 has pursued a co-design process. The process involved researchers and practitioners as partners of the project, as well as stakeholders we worked closely with in the CILs and PILs. We identified those involved in agri-environmental contracting, worked collaboratively on understanding local challenges and the different perceptions of these challenges, observed governance arrangements, and put forward an agreed framing of the challenges. Co-creating so-called ‘dream-landscapes,’ a vision of the future agricultural landscape, was an integral step towards new or amended ‘dream contracts.’ New or amended ‘dream contracts’ and ways for addressing challenges were developed and, in some cases, tested on the ground or formed the basis for our economic experiments. This process happened in parallel in 12 CILs in nine different countries. Exchanges across these processes were organised in targeted and thematic cross-CIL and cross-PIL meetings of the CIL and PIL leads, who were in regular contact with CIL and PIL members. WP3 and 4 leads also organised evaluations of the methodological approach, i.e., internal evaluations.

2.1. Specific evaluation, exchange and synthesis activities

- Interviews with all PIL leads in March-May 2021 resulted in a report on the **PIL internal evaluation** and a [blogpost](#). Interviews with all PIL leads in July-August 2022 will result in a paper comparing the midterm evaluation (from 2021) with the current evaluation.
- Interviews with CIL leads on **testing novel contracts** in May-June 2022, in combination with an inventory of contracts being tested in CILs, resulted in an overview of stages and elements being tested in partner countries (see [Appendix 1](#)). This overview distinguished four levels of implementation:
 - *negotiation* (a designed contract is being negotiated with policymakers and/or the private sector),
 - *testing* (testing or pilot-testing a new or modified contract (features) on at least one farm),
 - *mainstreaming* (a policy or private instrument for agri-environment-climate goals has been developed and implemented),
 - *evaluating* (the process of co-designing novel contracts).
- **International CIL/PIL exchange meetings** are organised in 2021 and 2022 to stimulate innovation lab exchanges. In addition, these exchanges represent essential steps in the co-design process and in synthesising findings. Google form templates were circulated to those leading InterCIL/PIL meetings in late April 2022, providing a structure for capturing discussions/results so they can feed into D3.4. In total, six inter-lab meetings are being organized:
 - Spain 6–7 October 2021 - Mixed contracts in peri-urban areas;
 - Ireland 16–19 May 2022 - Results-based contracts in the uplands;
 - Netherlands 9–10 June 2022 - Collective contracts in agricultural land;
 - France 11–13 July 2022 - Collective AECS in rangelands/grasslands;
 - Bornholm 20–21 September 2022 - Contracts facilitating a shift towards a plant-based diet;
 - Joint German-Hungarian workshop 7–8 Nov 2022 - Value chain contracts.

In the same way, CIL and PIL leads met, the other empirical WPs also had regular activities to exchange and synthesise results. WP2, focusing on the ex-post analysis of existing contracts, had monthly meetings to update everyone involved on the ongoing work. WP2 prepared method descriptions early on to introduce them to the CILs with the possibility to become involved in adjusting the methods to the needs of the CILs. WP2 also adjusted its methods to allow ex-ante assessment of some contracts at quite an early stage with not yet enough data to consider them for ex-post analysis. The second quarter of 2021 saw the introduction of short results presentations at every other monthly meeting. In order to present results also to a broader external audience, a webinar was organized in early 2022.

Similarly, WP5 had regular meetings to ensure the experiments for the ex-ante analysis were aligned. Viewpoints of stakeholders and results of our CILs were considered to develop the experiments. In some cases, stakeholders were directly involved in the design of experiments (see, for example, [Milestone Report M5.2](#) for more details on the process regarding the development of public goods games to study collective contracts).

A particular challenge was that although a type of contract (e.g., value chain contract) was studied in several countries, these case studies showed considerable variation. This applied to the policy, regulatory, socio-economic and environmental context, and the specific contract itself. In fact, some contracts, could also portray hybrid characteristics (e.g, results-based and collective).

An additional stream of synthesis activities linked to WP3 is **synthesising lessons learned from a practitioner perspective** for a key deliverable (D3.4 ‘European lessons-learned for alternative contract models and their operating context from practitioner perspective’). The proposed structure and content of D3.4 consist of two outputs (building on earlier deliverables, i.e., the SWOT analysis and dream contracts):

1. 10–12 practitioner briefs (4 pages) that represent ‘Voices from the Field,’ subjective observations, concerns, perceptions, and
2. two planned research papers a
 - 2.1. European lessons learned for alternative contract models and their operating context from a practitioner perspective
 - 2.2. Co-Design of innovative contracts

A final stream of synthesis activity focuses on the lessons learned for policy, driven by WP4. The plan for **D4.4 ‘Policy Green Paper** on new policies for novel contracts’ is to focus on policy options around contracts for delivering environmental public goods in the future CAP. The relatively short document will target EU-level and national/regional stakeholders and link to policy framework conditions and (to some extent) governance conditions. The lead partners work with PIL leads and run several consultations within and outside the project group (through 2022). Critical questions addressed will be

- State of play: Are the Member States planning to use the opportunities in the new CAP (2023-) to introduce novel contract types?
- What options do the Member State (regional) authorities have for implementing novel contract types or developing new implement process of current contracts ? What are the main barriers and opportunities in the different MS to implement the new approaches?

- What could be changed in the CAP to facilitate the implementation of novel contract types?

2.2. From lessons learned to key messages - Developing 'solutions' and recommendations

The synthesis workshop (Copenhagen in June 2022) focussed on sharing and discussing lessons learned that had been prepared from work in WP2 through WP5. We discussed how to organise and structure the synthesis, agreed on methodological issues, how to prepare outputs from workshops (e.g., InterCIL meetings; thematic sessions), and started brainstorming and planning for the two external synthesis workshops in autumn (e.g., agenda and structure for these events).

Before the meeting, we developed [templates](#) for collecting lessons learned from WP2 and WP5. WP3 had followed a different approach for collecting lessons learned from practitioners and CIL leads via [Mural](#). This is the primary input for the practitioner briefs part of D3.4. WP4 collected 'policy pitches' from PIL leads that will feed into a Green Paper draft (see [Figure 2](#)). This resulted in a collection of over 50 lessons learned. These lessons were prioritised and a selection of them was discussed further during the meeting.

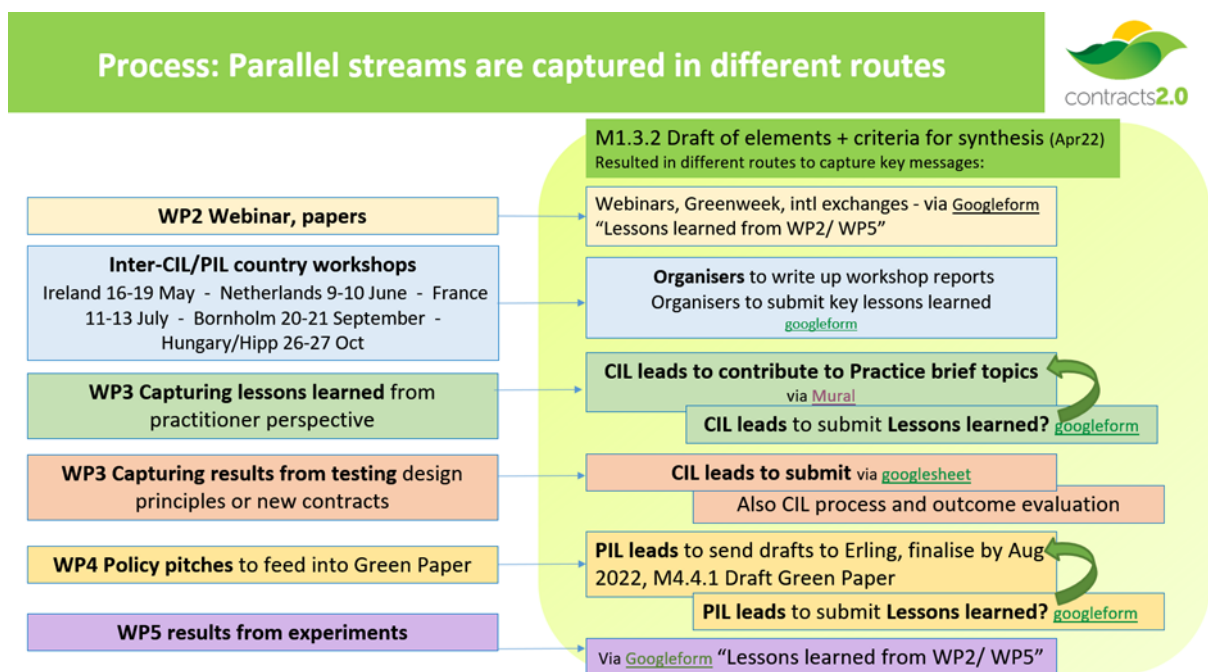


Figure 2. Presentation of the process of capturing results as presented at the Copenhagen meeting.

Collecting lessons learned across the WPs, and clustering them according to contract design, process design and policy framework conditions was the first step to moving from case study insights and individual studies and experiments to generalisations ([Figure 3](#)). We realised that the collected lessons learned still lacked contextualisation and steps to make them applicable. A further step was therefore introduced to interpret what the lessons mean for contract design, process design and policy framework conditions ([Figure 4](#)). This step will lead to the **development of 'solutions' and recommendations**

for applying the lessons learned, i.e., our key messages. These key messages are in a format that policymakers and practitioners can more directly utilise. The specific regional context must be taken into account in the generalisation and development of design principles.

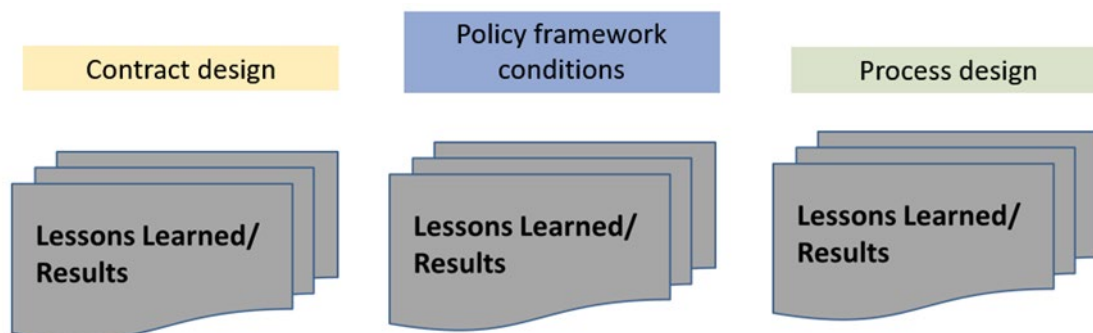
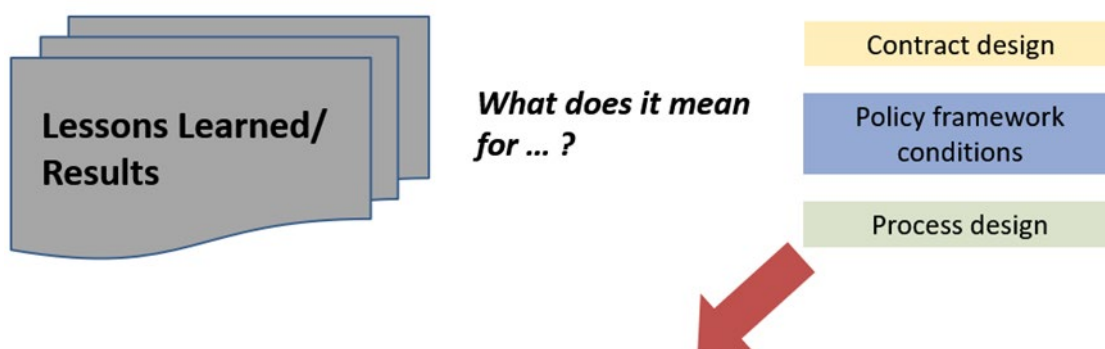


Figure 3. Structuring lessons learned according to contract design, process design and policy framework conditions.



Key Messages = Solutions/ Recommendations

Target Group for our Recommendations?

Figure 4. Developing key messages from lessons learned.

Key messages will be clustered further. This is likely to map onto the interests and needs of identified target groups, e.g., the Handbook will likely present key messages clustered around result-based agri-environmental contracts and collective contracts. There are also key messages that fall under agri-environment-climate measures and schemes in general (or contracts have a hybrid nature), value-chain approaches, and innovative contracts in general. For the Handbook, a modular format was favoured that could be implemented online.

The discussion was not finalised on the extent to which the proposed structure of the synthesis as outlined in the following sections, was going to be used in the Synthesis Report (D1.4) and the Handbook (D6.3). Although the structure of both deliverables will be informed by the synthesis framework, adjustments to the framework are possible should the need arise.

3. PROCESS DESIGN

The design process of an agri-environmental contract can be represented as a ‘cycle of contract design.’ This contract design cycle is in many ways similar to the policy cycle. It encapsulates the general process of designing, implementing and evaluating contracts. We distinguish two levels, a general (macro) level at which to think about designing a contract (perhaps as part of a scheme) and the level of the concrete (meso) level of designing contracts.

Level 1: what do you have to think about for framing new contracts? It might also include considering whether the contract or measure you want to design is part of an existing AECS or an initiative that starts from scratch, as they will have different constraints.

Level 2: How to go about co-designing novel contracts? This part would detail the designing process and illustrate what stages should be worked through or at least be considered. Lessons learned could draw on dream contracts, case studies, lessons learned from the CIL and PIL processes, policy delphi, WP2 and WP5. There would be a consideration for which contract types the lessons apply to. For example, the design of collective contracts may require different stages and bring different lessons than individual contract or integrating a results-based element needs more varied preconditions. Therefore, lessons learned are different for different contract types – addressed in more detail in part 4 Contract design. We find that contracts often have hybrid characteristics, so the contract types should be contrasted with actual practice and hybrid solutions. In drawing key messages from the lessons learned, we should reflect on the



Figure 5. Contract design cycle.

question ‘How can novel contracts be applied?’ or if a governance and policy context is given ‘How can a novel contract be introduced/ implemented?’

A structure for the process design analysis can include the stages of the policy design cycle (see Figure 5) but overlaps between stages are common. Note that these stages are simplified. There may be some iterations between certain stages. In addition, the set of questions for analysing contracts utilised in WP3 can be used to complement the compilation of lessons learned(see 6.2 Appendix 2).

- **Stage 1 Setting the agenda:** What are the main agri-environmental issues/challenges, objectives, application domain, and targeted farmers? What is the value added of agri-environmental contracts given the governance contexts, the policy framework and the institutional setting?

- **Stage 2 Negotiating the contract:** identify and organise the relevant actors to be involved; discuss and negotiate contract objectives, and agree budget size (PILs, network analysis). Analyse what is possible within the constraints of any existing schemes (where applicable)—adapting the contract to regional/local context with local actors, knowledge sharing, facilitation, organisation.
- **Stage 3 Designing the contract:** the focus is on contract characteristics and payment modalities, including targeting. May include
 - designing the tests and trials;
 - designing the pilot(s);
 - preparing/ designing the rollout.
- **Stage 4 Implementing the contract** (this can involve the development of the management plan specific to each contract, although this may also be part of Stage 3).
- **Stage 5 Monitoring**, adapting and controlling the contract (every year). Could also be part of Stage 4.
- **Stage 6 Evaluating** the schemes/ programs.

Where a whole programme or scheme of agri-environmental measures is concerned, this process will run at a higher level (the scheme level) with less detail, and also at a lower, much more detailed level for a set of contracts within the scheme (so there is one cycle nested within another). In the case of a value chain contract, it is likely only the (lower level) contract design cycle that is needed.

4. CONTRACT DESIGN

Contracts2.0 aimed to distil principles from its co-design and empirical research that can be extrapolated from individual cases. One set of design principles focuses on contract characteristics, the design of the contract itself, to help actors choose what characteristics may be more suitable for one context than another and in which combination. This perspective is different from the process design as it is focused on the given characteristics/features of a contract and what lessons we found regarding them. When presenting lessons learned about contract characteristics, specific examples or boxes with case studies will help to illustrate their application.

Actors designing a contract need detailed knowledge of contract characteristics (also referred to as design features). These details are discussed and agreed upon at stage 3 in the contract design process (see [part 3 Process design](#) above).

Contract characteristics are wide-ranging and include contract type, contract objective, environmental good, additionality, the basis of payment, contracted parties, the (required) degree of collective implementation, spatial scale and contract duration, source of funding, land use agreements used (see for more details see [6.3 Appendix 3 Table 2](#)). Here we can also indicate for which agri-environmental scheme prototype it is applicable.

5. POLICY FRAMEWORK CONDITIONS AND GOVERNANCE CONTEXT

The third set of design principles applies to the governance context and the political environment of contracts. This section may distinguish a) governance and b) policy. According to the Contracts2.0 Conceptual Framework (Figure 6), the specific contract is embedded into a broader context that determines contract governance. In turn, contract governance is shaped by the policy framework related to the contract.

The section will emphasise the aspect of multi-level governance, referring to governance processes and policies at EU, national, and sub-national levels. An option is to take an actor's perspective, asking, 'What do public actors do to create the framework and context for contract design'?

The governance context will influence the contract design process at several stages, from agenda setting to evaluation (see part 3 Process design).

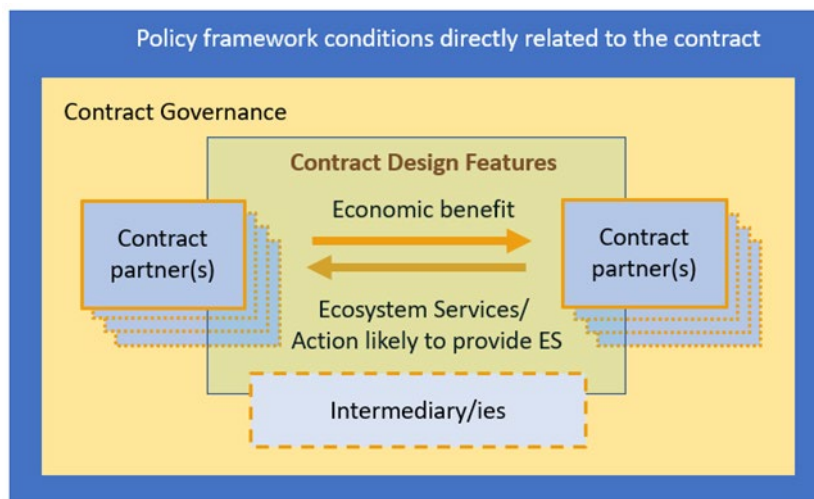


Figure 6. Contracts2.0 conceptual framework.

- Policy framework (this refers to the policy framework conditions and may include specifics of CAP, AECS, eco schemes, and how they are applied in each country)
- Policy coherence: how novel contracts will interact with other policy instruments
- Main governance type of institutional setting (governmental, non-governmental, hybrid) (this refers to the context in which the governance of the actual contract takes place, i.e., contract governance in Figure 6, and can include the specific arrangements for the contract such as whether the contract is mainly governed by state actors, value chain actors, a mix etc.)
- Provision of advice (by whom: entrepreneurial organisation, governmental institution, non-governmental organisation)
- Provision of advice (on what topics, e.g., administrative, technical, content-related)
- Monitoring (self-monitoring, third party, public or private)
- Tenure system (private, communal, open access, state)

6. TARGET GROUP SPECIFIC MESSAGES

In order to increase the impact of Contract2.0, it is crucial to consider specific target audiences and their needs and tailor the presentation of results accordingly. In coordination with WP6, specific actor groups will be identified, and the key lessons compiled for those target groups. Content and presentation should consider the respective governance context in which the target groups work. We suggest WP6 should check with end-users on what and in which form they would like to see our end-products to consider end-users' needs. This will also shape the format, content and structure of the Handbook.

The following target groups were identified in discussions with the consortium:

- 1. European policymakers**
- 2. Set of actors involved in agri-environmental programming**
 - 2.1. Administrators and policymakers at the level of Rural Development Programming (national or regional level); civil society organisations, farmer organisations, nature conservation organisations
 - 2.2. Distinguish actors in charge of contract design vs actors in charge of contract implementation
- 3. Value chain partners**
 - 3.1. Actors involved in a value chain that incorporates agri-environmental contracts
 - 3.2. Farmers, processors, manufacturers, retailers
- 4. Landowners, land stewardship entities** (e.g., who want advice on how to encourage their tenants to farm more environmentally friendly)

APPENDICES

6.1. Appendix 1

Testing of novel contracts

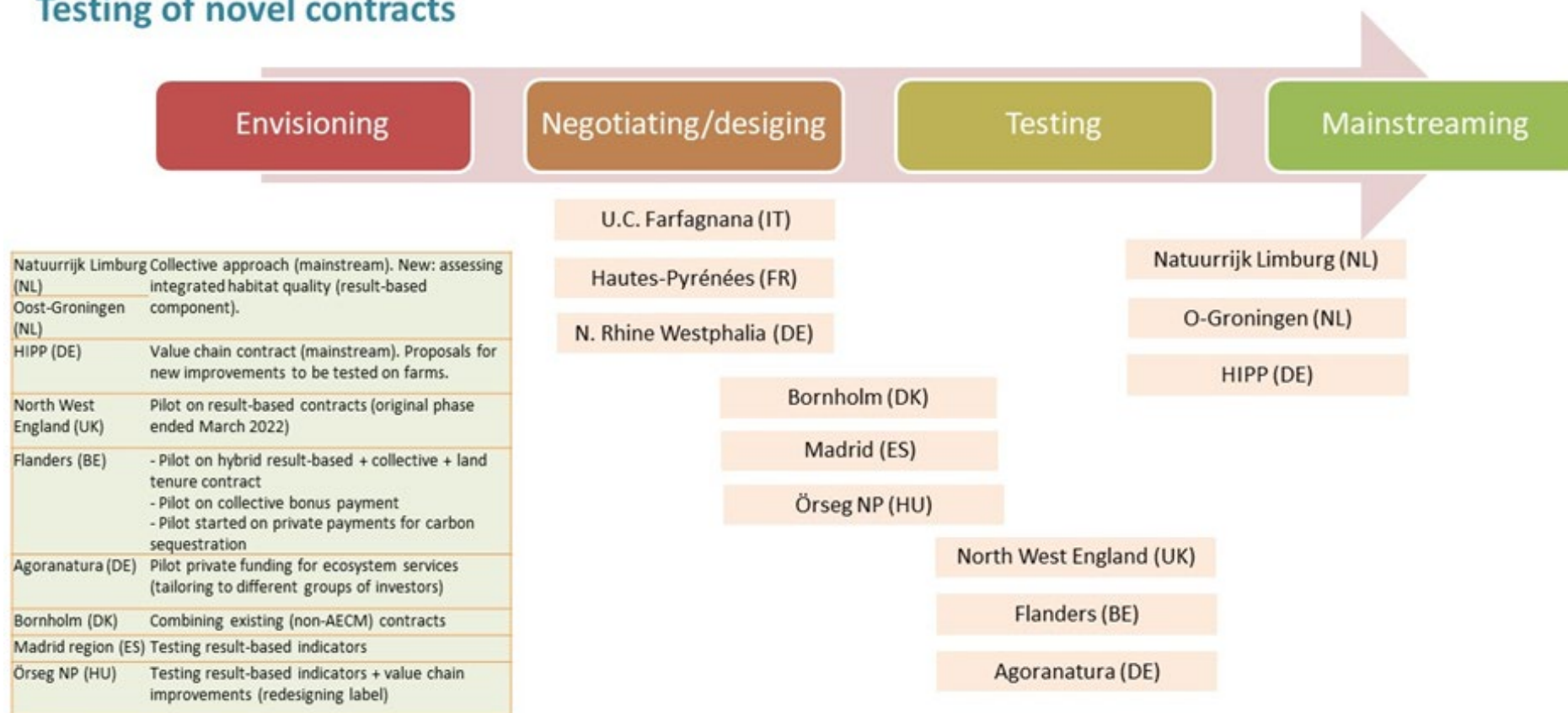


Figure 7. State of testing and mainstreaming novel contracts as of June 2022.

6.2. Appendix 2

Table 1. Suggested details for contract design stages.

	Q	Contract working name
Objective + application domain	1	Summary of Contract (Ex. target(s), describe to which contract type(s) it is related)
	2	How could the dream contract contribute to the dream farming-landscape?
	3	What are the environmental and/or climate benefits addressed by the contract?
	4	What other added value are you planning to create?
	5	Which farm types are targeted? small scale farmers, dairy farmers, etc.)
	6	Which specific land use/s are targeted by the contract (e.g. arable, grassland, peat-land, vineyards, orchards, ...) ?
	7	Which measures or practices at farm level will be contracted (e.g. flower strips, no tillage, crop rotation, etc.)?
	8	What would be the ideal contract period (in years)?
Actors	9	What are the benefits for the farmers (financial or non-financial)?
	10	Which other actors benefit from the proposed added value? Please describe for each of the beneficiaries mentioned above, how they benefit.
	11	Which of these beneficiaries could provide payments and/or services (e.g. land or market access, tax benefits) in return for these benefits?
	12	Will a farmer group be involved? Please further specify their role.
	13	Will intermediary parties be involved and in what role (e.g. as advisors, monitors, managing payments, etc.)?
Land tenure	14	What are the main tenure systems of the contracted land (private, public, or common land ownership)?
	15	Will access to land for farmers be coupled with specific contract requirements related to environmental/climate issues? If yes, please specify the requirements.
	16	Will there be rules to determine which farmers have priority to get access to parcels of land?
Payments	17	Where will the funding come from? [public funding, private funding, mix of both]?
	18	In case of private funding, who is going to pay for it?
	19	Will the farmers be paid through a collective of farmers?

	20	Will the payment be based on results, actions or a combination?
	21	In case of a result-based payment, will the payment increase with higher results? How many layers of payments are foreseen?
	22	In case of value-chain contract, do farmers get a higher price for their agricultural product(s)?
	23	Can the maximum payment be higher than compensation for income forgone and costs?
Monitoring	24	What will be monitored: practices, results or a combination of both?
	25	What specific criteria/indicators will be used for monitoring?
	26	Who will carry out the monitoring? Is it the farmer, advisor, an independent body (= the body setting the monitoring rules different than the one controlling them?)
	27	Will there be a third party that controls the monitoring body? (e.g. an accreditation body, an independent public body, ...)
	28	What will be the frequency of the monitoring? (Please indicate for each monitoring activity what is monitored)

6.3. Appendix 3

Table 2. Contract design features as used in the analysis of existing contracts (WP2, Deliverable 2.1: Bredemeier, B., Herrmann, S., Sattler, C., Prager, K., van Bussel, L. G. J., & Rex, J. 2022. Insights into innovative contract design to improve the integration of biodiversity and ecosystem services in agricultural management. Ecosystem Services, 55, 101430. <https://doi.org/10.1016/J.ECOSER.2022.101430>)

Contract design features	Specifications
Main contract objective	Biodiversity enhancement
	Flood management
	Landscape conservation
	Promotion of organic farming
	Sustainable food production
	Water quality enhancement
Basis of payment	Action-based
	Results-based
	Hybrid
Involved contract parties	Individual / Collective
Collective implementation (only in case of collective involvement of contract parties)	Farmer-to-farmer collaboration
	Coordination of individually implemented practices
Contract initiation	Bottom-up
	Top-down
	Hybrid

Spatial scale of implementation	Local / Regional / National / International
Temporal scale	Short-term (≤ 5 years)
	Mid-term (> 5 to ≤ 10 years)
	Long-term (> 10 years)
Option for extension	Yes/ No
Funding	Public / Private / Hybrid
Contractor	Public / Private / Hybrid
Land use agreement (only in case of tenure contract)	Covenant
	Easement
Targeted ecosystem services ¹	Provisioning / Regulating / Cultural / Supporting & Biodiversity
Targeted environmental medium ¹	Water
	Soil
	Biodiversity
Targeted to specific species or habitat	./.