

VOICES FROM THE FIELD

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contracts**2.0**



Less is more!
Attractive contracts
have less paperwork
for farmers

KEY MESSAGE

Results-based and collective approaches are perceived by practitioners to bring less administrative burden to farmers than conventional action-based individual contracts. However, the extra costs for the implementation of these contracts need to be considered. We propose options to lower transaction costs or reach a fair balance between transaction costs covered by farmers and public authorities: 1) increase dialogue with the administration to strengthen trust and cooperation, and 2) involve intermediary parties to reduce farmers' administrative burden and compensate them for the extra costs of monitoring and collective service they carry out.



Have you ever wondered what farmers would propose when asked to hold the pen for the next generation of agri-environmental contracts? In the Contracts2.0 project, this question was the starting point to establish 13 contract innovation labs (CILs) with practitioners (including mainly farmers, but also landowners, NGO staff, local government officers) in 9 European countries. Practitioners were asked to reflect on the strengths and weaknesses of new and existing contracts, and to propose so-called “dream contracts”. This brief reflects the opinion of the practitioners of 13 CILs throughout Europe, without claiming to be representative for the whole European farming community. This series is meant for all who are involved and interested in the design of the next generation of agri-environmental contracts.

■ Why is it important?

Novel contract-based approaches (such as results-based and collective approaches) are gaining importance in Europe. These innovative approaches aim to be more environmentally effective and economically viable. These contracts involve a redistribution of administrative burdens between administrations, intermediaries and farmers (compared to conventional contracts), which entails extra work and costs for some of the involved parties. In collective approaches, there is a shift of transaction costs from individual farmers and public authorities to the collective entity, which affects the viability and feasibility of the collective. Regarding the monitoring of results-based payments, there is also a shift from controlling the actions to controlling the results, which entails extra work when designing, for instance, the indicators. Therefore, innovative contracts should be well designed and consider these extra costs carefully to retain the attractiveness of contracts to all involved parties and not affect their willingness to participate.

■ Administrative and financial burdens for practitioners

When implementing an agri-environmental contract, there might be different aspects that turn into a source of frustration for practitioners. There might be an administrative and financial burden in terms of additional paperwork, additional time investment and operational costs. Practitioners perceived that the administrative burden depends on the type of contract, the type of payment (collective or individual) and also on the context in which these contracts are implemented.



Furthermore, practitioners perceived that in conventional agri-environmental contracts (such as action-based and individual contracts) farmers have to carry out extra work to comply with excessive and inflexible rules, with the risk of being sanctioned. The inflexibility of the rules does not allow farmers to use their local expertise and skills (e.g. adaptation of agricultural practices or timing to the weather conditions), which is also perceived by farmers as a lack of trust in their work and knowledge. Farmers perceived that this situation results in excessive controls, causing a higher administrative burden. There is a need for less control and more trust, and dialogue between practitioners and authorities. Nonetheless, results-based and collective approaches were perceived to be more cost-efficient and flexible for farmers compared to action-based and individual approaches.

■ Results-based contracts

Results-based approaches were perceived to bring less administrative burden to individual farmers. They are expected to decrease the time farmers need for administrative work, controls and evidencing actions. Indeed, they feel they have more freedom and flexibility to adapt their practices to their local situation and needs although they might have extra work to undertake monitoring and self-assessment. Based on the farmers' experience in the UK, for example, results-based payments were less cumbersome for them in administrative terms because they received extensive support from advisors. This demonstrates how some of the administrative work can be redistributed between different stakeholders.

In results-based payments, there is a shift from controlling the actions to controlling results, which entails extra work for the people involved (designing indicators, monitoring results and potential changes). The cost of monitoring is perceived to be high, and appropriate funding for monitoring was considered to be too low. To overcome the latter, practitioners proposed to include farmers in the assessment processes of results on their own farms to reduce costs but also engage them in a more structural way. New technologies can also be used for this purpose and might be an incentive for farmers to participate. In other cases, it was mentioned that the timing of monitoring (in the case of self-assessment) may interfere with the timing of agricultural practices. Therefore, it is important to develop the design and the timing of the scheme together with farmers, and tailor it as much as possible to farm activities.



■ Collective contracts

Collective contracts are perceived to bring less administrative burden to farmers compared to individual contracts. In the Netherlands – the only case in the project with a relatively recent, yet well established form of collective contracts – it was mentioned that much of the administrative workload was transferred from the government and the farmers to the collectives. Coordination in the collectives is a complex task which results in high transaction costs derived from reaching agreements, especially with large groups. However, considering the total cost, collective approaches were perceived to be more cost-efficient compared to individual approaches, because collectives create economies of scale (e.g. collectively buying seeds, machinery, administrative work etc.), and because they allow for more flexible payments towards farmers. However, insufficient funding for costs covered by the collectives could threaten their ability to function (as in UK, BE, NL).

Collectives are also considered to be more effective because they generate additional results that could only be obtained through cooperation and common action. For example, the provision of many ecosystem services requires action at the landscape level (e.g. pest control, habitat for species, flood control or pollination), which can only be achieved if there is collaboration of farmers, collectives and administration. To achieve this, appropriate financial compensation to intermediaries should be arranged.

■ Other contract types

In the case of the project located in Spain, mixed contracts using collective and land tenure approaches were perceived to bring less administrative burden to individual farmers. Here, the involvement of intermediaries was perceived to reduce the administrative burden and facilitate communication with farmers. This reduction of administrative workload for farmers was very well received, but if it is not complemented with appropriate payment, it would likely be insufficient as an incentive for farmers to work towards higher environmental performance.

Regarding other kinds of approaches, practitioners perceived that value chain approaches have lower administrative and financial burden and are easier to implement. For instance, the National Park product label (which can be considered as a value chain approach) in Hungary is established as a countrywide system, so it already has comprehensive support in the Hungarian administration. It is also perceived that the combination of public and private funding in value chain approaches will provide continuity, which will increase the long-term economic viability of the people involved.



Summary

The next table show an overview of practitioners' perceptions per contract approach in relation to the administrative burden and aspects of the economic viability. Items are described in terms of decreasing (arrow down), increasing (arrow up), not mentioned (N/M) or not applicable (N/A).

	Administrative burden for individual farmers	Administrative burden for farmers collective	Administrative burden on government level	Total costs of monitoring	Total Cost-efficiency of the contract	Financial risk for farmer	Practitioner key message
Results-based	↓	N/A	↑	↑	↑	↑	Need to simplify paperwork, controls and monitoring Need to compensate the extra cost for monitoring
Collective	↓	↑	↓	↓	↑	N/M	Need to fund the extra cost of work carried out by collectives Need to assist collectives with intermediaries or advisory services
Land tenure	↓	N/M	N/M	N/M	N/M	N/M	
Value chain	Mixed responses	N/A	↓	N/M	N/M	N/M	

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All Practice Briefs can be found here: <https://www.project-contracts20.eu/in-brief/>



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