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Financial incentives applicable to Small Forest Holdings and their impacts

Country Fact Sheet
Bulgaria

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Financial incentives applicable to Small Forest Holdings
WP2, Task 2.4.2

Executive Summary

The total area of forests and forest areas in Bulgaria in 2023 was estimated to over 4 million hectares (ha) or nearly 39% of the land area of the country[1]. Most of the forest territories are state-owned, followed by forests that are owned by municipalities (around 11%), individuals (9.6%) or private legal entities (including religious organisations) (1.5%).

Funding for forest-relevant activities is primarily provided under the Common Agricultural Policy (CAP) Strategic Plan 2023-2027. This includes eight forestry measures/interventions worth a total of EUR 102.3 million. Small forest holders (SFHs) can be eligible beneficiaries for five of these measures, worth around EUR 81.3 million. Interventions for which SFHs are eligible include forest ecological activities, Natura 2000 support, maintenance of newly created or restored forests, afforestation/reforestation, and improving the sustainability of forest ecosystems.

The support available under the EU Cohesion Policy funds is disbursed through national-level programmes, including the Environment Programme 2021-2027. It does not contain measures specific to forestry or SFHs but its supports biodiversity (e.g. management of Natura 2000, species and habitats) and climate change risk management (e.g. reduction of forest fire risks), which can theoretically include forestry interventions. While no specific projects concerning forestry or SFHs have been funded to date, the Programme recognised the potential synergies with forestry measures funded under the CAP.

Small forest owners (SFOs) and SFHs are eligible for subsidies under the CAP Strategic Plan but there is no information about any other relevant state aid measures or subsidies. According to the national legislation, forests are exempt from property tax, but forest managers are subject to income tax on their revenues.

No examples of regional or local funding for SFHs or forestry in general were identified. While funding from some other organisations and innovative sources (e.g. crowdfunding) exist, they are not specific for SFOs. The extent to which such SFHs can benefit these alternative sources is unclear.

[1] 2023 Annual report of the Executive Forest Agency (*Годишен отчетен доклад на Изпълнителна Агенция по горите за 2023 г.*): https://www.iag.bg/data/docs/Doklad_23_posleden_16.05.2024.pdf, pp. 5–6

1. Financial incentives based on EU funding

1.1. The European Regional Development Fund

Cohesion Policy funds in Bulgaria are spent through national-level programmes. Environment, including potentially forestry, is covered by the Environment Programme 2021-2027[2]. It includes five priorities, with Priority 3 "Biodiversity", which can theoretically include interventions in the forestry sector. The specific objective is "Improving the protection and conservation of nature, biodiversity and environmentally friendly infrastructure, including in urban areas, and reducing all forms of pollution" and it covers measures linked to Natura 2000 network, species and habitats and ecosystems outside Natura 2000. The programme notes the following synergy with the CAP Strategic Plan: "*For example, measures to improve the habitats of protected species in agricultural lands and measures to improve the conservation status of forest natural habitats by introducing silvicultural practices for sustainable management of forest habitats.*"[3] The budget for Priority 3 is EUR 109 839 504.

In addition, Priority 4 "Risk and changing climate" includes measures aimed at reducing the risk of forest fires. The anticipated synergy with the CAP Strategic Plan is that "*The planned measures, which will be financed under the European Agricultural Fund for Rural Development, will ensure a comprehensive approach to forest fire risks. The Strategic Plan for Agriculture and Rural Development focuses on combating forest fires through measures identified in the annual fire protection plans, including fire monitoring, afforestation and reforestation, contributing to adaptation and combating climate change.*"[4] The budget for Priority 4 is EUR 186 240 254.

Amongst the projects financed by the Environment Programme by 28 May 2025, no specific interventions concerning forestry or SFHs were identified[5].

1.2. Common Agricultural Policy (CAP)

Bulgarian CAP Strategic Plan (CAP SP) includes eight measures/interventions linked to forestry as summarised in the following table[6]. This amounts to a total of EUR 102.3 million (of which nearly EUR 41 million Union contribution) available for interventions ranging from conservation and afforestation to reduction of forest fire risk and wood processing. Based on the information provided about eligible beneficiaries, five of these measures worth around EUR 81.3 million (of

[2] https://www.eufunds.bg/bg/opos/term/1380

[3] Environment Programme 2021-2027, version from 10.10.2022, p. 35. The programme is available at: https://www.eufunds.bg/bg/opos/node/10795

[4] Ibid, p. 44.

[5] Based on the list of projects downloaded at: https://2020.eufunds.bg/bg/6/0/Project/Search?showRes=True

[6] The interventions have been identified based on the different versions of the CAP SP (original version, 1st amended version approved by the EC and 2nd amended version approved by the EC) available at: https://www.sp2023.bg/index.php/bg/sprzsr-bg/za-sprzsr

which EUR 32.5 million Union contribution) can support SFHs of less than 500ha (these are also summarised in the Excel database).

Table 1 Financial incentives for SFH envisaged in the Bulgarian CAP SP

Intervention	Total (EUR)	EU contribution (EUR)	Timeline	Short description	Eligible beneficiaries	Indicators
II.A.13 - Forest ecological activities in forests	18 000 000	7 200 000	2024-2028	Payments will be per hectare per year for foregone benefits, for forest plantations falling within the most vulnerable forest areas to climate change and in plantations with priority protective and ecological functions in mountainous and semi-mountainous areas, provided that they meet certain conditions.	1. Individuals, sole proprietors, legal entities owners of forest territories (min forest size 1ha); 2. Municipalities and local branches of religious denominations owners of forest territories (min forest size 10ha or 5ha respectively); 3. State enterprises under Art. 163 of the Forestry Act managing forest territories (min forest size 500ha).	R.30 Share of forest land under commitments to support forest protection and management of ecosystem services
II.A.14 - Natura 2000 support for forests	15 000 000	6 000 000	2024-2028	It will compensate owners and managers of forest areas in Natura 2000 for the lost benefits resulting from the implemented restrictions.	1. Individuals, sole proprietors, legal entities owners of forest areas falling within the scope of Natura 2000 (min forest size 1ha); 2. Municipalities and local branches of religious denominations owners of forest areas falling within the scope of Natura 2000 (min forest size 10ha or 5ha respectively); 3. State enterprises under Art. 163 of the Forestry Act managing forest areas falling within the scope of	R.33 Share of total Natura 2000 area under supported commitments

Intervention	Total (EUR)	EU contribution (EUR)	Timeline	Short description	Eligible beneficiaries	Indicators
					Natura 2000 (min forest size 500ha).	
*II.A.15 - Maintenance of newly created and restored forests	8 300 000	3 320 000	2026-2029	The intervention provides support for maintenance up to five years after afforestation/reforestation. The support will include cultivation until the fifth year after establishment and replenishment in the first year after afforestation/reforestation. The implementation of the intervention will contribute to the achievement of the objectives of the European Green Deal, including the Biodiversity Strategy to 2030.	1. Individuals, sole proprietors, legal entities owners of agricultural lands, non-agricultural lands and forest territories; 2. Local branches of religious denominations owners of agricultural lands, non-agricultural lands and forest territories; 3. Municipalities owners of agricultural lands, non-agricultural lands and forest territories; 4. State enterprises under Art. 163 of the Forestry Act (FA) managing non-agricultural lands and forest territories;	R.30 Share of forest land under commitments to support forest conservation and ecosystem services management
II.G.10 - Afforestation and restoration	20 000 000	8 000 000	2024-2028	The intervention will support the following activities: - Afforestation of agricultural and non-agricultural lands; - Recovery of forest damage from forest fires, natural disasters and catastrophic events; - Recovery of protective forest belts.	1. Individuals, sole proprietors, legal entities owners of agricultural lands, non-agricultural lands and forest territories; 2. Local branches of religious denominations owners of agricultural lands, non-agricultural lands and forest territories;	R.17 Area supported for afforestation, agroforestry restoration, including breakdowns; R.18 Total investment to improve the performance of the forestry sector; R.27 Number of operations contributing to environmental sustainability

Intervention	Total (EUR)	EU contribution (EUR)	Timeline	Short description	Eligible beneficiaries	Indicators
				Support will also be provided for maintenance up to five years after afforestation/recovery. The maintenance will include cultivation up to the fifth year after establishment and replenishment in the first year after afforestation/recovery.	3. Municipalities owners of agricultural lands, non-agricultural lands and forest territories; 4. State enterprises under Art. 163 of the Forestry Act (FA) managing non-agricultural lands and forest territories; Min forest size: 0.5 ha.	and the achievement of climate mitigation and adaptation goals in rural areas
II.G.11 - Prevention of damage to forests from forest fires, natural disasters and catastrophic events	5 000 000	2 000 000	2025-2026	This intervention will support: 1. creation, improvement and maintenance of fire-fighting infrastructure; 2. construction/ improvement of water sources for the needs of forest conservation and protection from fires; 3. purchase of communication equipment and means for detecting and monitoring forest fires, pests and diseases; 4. construction and improvement of roads for fire-fighting vehicles; 5. purchase of laboratory and monitoring equipment for forest protection stations.	1. Individuals, sole proprietors and legal entities owners of forest territories; 2. Local branches of religious denominations owners of forest territories; 3. Municipalities owners of forest territories; 4. Forest protection stations 5. State enterprises under Art. 163 of the Forest Act, managing state forest territories. Min forest size: 500 ha	R.18 Total investment to improve the performance of the forestry sector

Intervention	Total (EUR)	EU contribution (EUR)	Timeline	Short description	Eligible beneficiaries	Indicators
II.G.12 - Improving the health and sustainability of forest ecosystems by supporting logging in forest areas	20 000 000	8 000 000	2025-2026	This intervention aims to support the implementation of planned logging in forest areas, thus enabling forests to maintain both their multifunctionality and the competitiveness of their owners in order to continue their sustainable management. This includes the purchase of forestry equipment to carry out planned logging in forests.	1. Individuals, sole proprietors, legal entities owners of forest territories (min forest size 5 ha); 2. Local branches of religious denominations owners of forest territories (min forest size 10ha); 3. Municipalities owners of forest territories (min forest size 15ha); 4. Sole proprietors and legal entities registered under Art. 241 of the Forestry Act (min forest size 150ha); 5. State enterprises under Art. 163 of the Forestry Act	R.18 Total investment to improve the performance of the forestry sector
II.G.13 - Reducing biodiversity loss, protecting forest habitats and reducing illegal activities in forest areas	6 000 000	2 400 000	2025	The support in this intervention is aimed at preventing damage to forest ecosystems and biodiversity through: - Construction and equipping of observation posts to combat illegal transportation and processing of wood; - Purchase of information and telecommunications equipment and means for monitoring	1. Executive Forestry Agency; 2. Regional Forestry Directorates; 3. Directorates of Natural Parks.	R.18 Total investment to improve the performance of the forestry sector; R.27 Number of operations contributing to environmental sustainability and the achievement of climate mitigation and adaptation goals in rural areas

Intervention	Total (EUR)	EU contribution (EUR)	Timeline	Short description	Eligible beneficiaries	Indicators
				and countering illegal encroachments on forest and game resources.		
II.G.14 - Primary processing of wood	10 000 000	4 000 000	2026-2027	The intervention will include: 1. Construction, acquisition or improvement of buildings and other immovable assets necessary for the primary processing of wood, as well as the purchase of land, up to 10% of the eligible costs, when directly linked to the implementation of the project proposal; 2. Purchase or leasing of new machinery and equipment for primary processing of wood, as well as other work operations preceding industrial processing.	SMEs processing no more than 10,000 cubic meters of round wood per year.	R.18 Total investment to improve the performance of the forestry sector
TOTAL	102 300 000	40 920 000				
TOTAL SFHs	81 300 000	32 520 000				

Source: Based on the CAP Strategic Plan original version and for measure *II.A.15 the second amended version approved by the EC.

Note: In blue interventions for which SFHs are eligible.

An example of a relevant project from 2014-2020 Rural Development Programme is the intervention "Support for Afforestation and Creation of Forests"[7] for financing afforestation activities on the territory of the Local Initiative Group (LIG) Sandanski and to contribute to the protection of the forest fund from erosion, natural disasters, pests, diseases and fires. The objectives of the procedure included: absorption and storage of carbon and protection of soils from erosion; increasing forest areas; protecting territories from natural disasters and fires, as well as contributing to adaptation to climate change; compliance with EU standards and improving conditions in agricultural holdings. As a result of the project activities, 1.2 ha of agricultural and/or non-agricultural land will be afforested. The procedure provides grant aid under the Rural Development Programme (RDP) 2014-2020. The total budget amounts to BGN 72 462[8]. The eligible beneficiaries included: The Municipality of Sandanski, individuals, legal entities and local branches of religious denominations, owners of agricultural and non-agricultural land, as well as legal entities - private entities managing agricultural and non-agricultural land, can apply.

1.3. LIFE and Horizon Europe

Projects relevant to SFH supported from LIFE, Interreg and Horizon Europe funding are analysed for the whole EU in a dedicated chapter and annex. Three Interreg projects (using the ERDF funding) which could potentially support SFH in Bulgaria are particularly worth mentioning.

- MoniFun: https://www.monifun.eu/
- FORWARDS: https://forwards-project.eu/
- FIRE-RES: https://fire-res.eu/

[7] https://eufunds.media/2024/07/22/protsedura-podpomagane-za-zalesyavane-i-sazdavane-na-gorski-masivi-ot-mig-sandanski/

[8] Or approximately EUR 37 050 based on the ECB fixed exchange rate of EUR 1 = BGN 1.9558.

2. Financial incentives based on MS funding

2.1. State aid

In the European Commission's database on state aid[9], no result for Bulgaria about reported state aid in the sector with NACE code *02-Foresty and logging* was found.

2.2. Taxes and tax exemptions, subsidies

Based on the small forest owners (SFOs) country factsheet for Bulgaria, the following rights and obligations concerning taxes, tax exemptions and subsidies apply:

- SFOs/SFHs are eligible for subsidies under the CAP SP 2023-2027 for various measures (see examples above);
- Under Article 10(3) of the Local Taxes and Fees Act forests are exempt from property tax.
- The forest manager is subject to income tax on its revenues under national legislation.

2.3. Funding provided by regional and local authorities

No examples of funding from regional or local authorities were identified. This was confirmed also by a consuled forestry association[10].

2.4. Funding provided by foundations, business associations, educational or other institutions

The following examples of funding sources have been identified:

- SOS Afforestation[11]: Under this project funded by Nestle Bulgaria municipalities can receive BGN 60 000[12] funding for projects aimed at afforesting significant areas for the respective municipality, providing protection against natural risks, greening and improving the landscape of the territory of the respective municipality. Three thematic areas include: Restoration of forests after fires, floods, illegal logging and natural disasters; Enrichment of common spaces in settlements through greening and afforestation; Creation of new forest areas to improve the quality of life.
- The Ministry of Environment and Water (MOEW) and the Enterprise for Management of Environmental Protection Activities (EMEPA) initiative "Clean environment"[13]: Under this annual initiative EMEPA provides financing to selected projects to renovate or create new park spaces, afforest and plant cleared areas, create and restore recreational

[9] European Commission, State Aid Transparency Public Search.

[10] Consultations with a forestry association from Bulgaria took place in October 2025. Its input has been addressed and included within this report.

[11] https://eufunds.media/2025/03/24/do-60-000-lv-po-proekti-za-vazstanovyavane-na-gori-ot-konkursa-sos-zalesyavane/

[12] Or approximately EUR 30 678 based on the ECB fixed exchange rate of EUR 1 = BGN 1.9558.

[13] https://eufunds.media/2025/05/19/blizo-800-proekta-za-chista-okolna-sreda-shte-badat-finansirani-ot-konkursa-na-mosv-za-2025-g/ and https://eufunds.media/2025/01/14/startira-konkursat-za-chista-okolna-sreda-na-mosv-za-2025-g/

areas, repair children's and sports facilities, etc. Traditionally, municipalities, local authorities, schools, kindergartens, Personal Development Support Centers and United Children's Complexes apply.

- The National Trust Eco Fund (NTEF)[14]: For 30 years the NTEF funds and finances projects for environmental protection, energy efficiency and tackling climate change. It manages funds allocated specifically from the state budget, including under swap transactions for the exchange of "Debt for Environment" and "Debt for Nature". Funds are also raised from international trading of greenhouse gas assigned emission units, from the sale of greenhouse gas emission allowances for aviation activities, as well as from funds provided on the basis of other types of agreements with international, foreign or Bulgarian sources of funding intended for environmental protection. No specific forestry projects were identified.

2.5. Innovative funding sources

The following examples of financing sources have been identified:

- BCause Foundation[15]: it channels donor resources and contributes to the strengthening of civil society organisations and public institutions such as schools, libraries and museums. It supports donors and social entrepreneurs with personalised, high added value services. Its Platform[16] facilitates crowdfunding and allows interested donors to provide money for specific causes and projects. In the forestry sector this includes: TreeDoctor[17] or Mission Chesnutt in Lozenets[18].
- Carbonsafe[19]: the first Bulgarian company to realise a sale of carbon credits[20]. However, it offers carbon credits provided by agricultural holdings / farmers rather than forest owners for the moment. It may be relevant as long as the agricultural holdings or farmers fall under the definition of SFHs.

No particular examples of biodiversity credits, green bonds or PES were found.

2.6. Other funding sources

No other funding sources were identified. To consider that the 2011 Forestry Act provides for funding for ecosystem benefits, but this has not yet worked[21].

[14] https://ecofund-bg.org/bg/%d0%bd%d0%b0%d1%87%d0%b0%d0%bb%d0%be/

[15] https://www.bcause.bg/en/about-us/who.html

[16] https://platformata.bg/en/

[17] https://platformata.bg/en/kauzi/1189:treedoctor/details/campaign.html

[18] https://platformata.bg/en/kauzi/1580:6363-2022-04-02-07-11-40/details/campaign.html

[19] https://carbonsafe.bg/about-us-bg/

[20] https://bglobal.bg/112292-bylgarskata-%22karbonseif%22-realizira-pyrvata-prodajba

[21] Consultation with a forestry association from Bulgaria carried out in October 2025.

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