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Financial incentives applicable to Small Forest Holdings and their impacts

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Financial incentives applicable to Small Forest Holdings

WP2, Task 2.4.2

Executive Summary

Financial incentives supporting Small Forest Holdings (SFH) in Spain originate from both European Union (EU) and Member State (MS) funding mechanisms. While these programmes provide broad support, their direct allocation and impact on SFH are not always explicitly delineated.

EU funding includes the European Regional Development Fund (ERDF) and the Common Agricultural Policy (CAP). For 2021-2027, ERDF allocates over EUR 9 billion to a green transition in Spain, supporting climate adaptation and strengthening nature and biodiversity, including forest resilience, disaster prevention, reforestation, and fire defence infrastructure through national and regional programmes. While the ERDF programmes devote significant financial resources to biodiversity and prevention of natural disasters, none of them specifically mentions SFH, or private forest owners, as primary beneficiaries of this funding, and the extent to which SFH can benefit from this funding remains unclear. The CAP Strategic Plan dedicates nearly EUR 819 million of its rural development budget to forestry, promoting afforestation, agroforestry, fire prevention, and forest restoration.

Member State funding encompasses state aid, tax incentives, and regional/local authority contributions. The Biodiversity Foundation provides grants for biodiversity, climate change, and forest bioeconomy initiatives. Tax provisions incentivise sustainable forest management through exemptions or deductions on taxes such as the Tax on Economic Activities, wealth tax, immovable property tax, personal income tax, corporate income tax, VAT, and inheritance/gift tax. Regional and local authorities, including those in Castilla y León, Catalonia, and Madrid, offer specific grants for activities like forest restoration, high-value species planting, and mature forest conservation.

Innovative funding sources complement these. Examples include crowdfunding, Corporate Social Responsibility (CSR) initiatives linked to carbon offsetting, and Payment for Ecosystem Services (PES) schemes. Voluntary carbon markets, such as those established by the TROCO2 and LIFE Climark PROMACC projects, also contribute to supporting sustainable forest management by monetising carbon sequestration.

An in-depth analysis of four incentives reveals how current funding instruments translate forestry objectives into practice for SFHs. Incentives funded by Galicia on joint forest management and wood construction, Castilla y León's incentives for forest restoration and nationally-planned European Agricultural Fund for Rural Development (EAFRD) funded forestry incentives all broadly align with climate, biodiversity and rural development goals with a general focus on incentivising SFH management and knowledge building. However, significant

knowledge gaps limit the assessment of how far these instruments collectively and concretely support SFH. Lack of disaggregated data, poor levels of communication between regional and central governments, as well as weak systemic qualitative and quantitative reporting all contribute to a rather opaque view of the landscape. Overall, the findings of this study suggest that while strategic objectives and economic investments are broadly aligned with the needs of the forest sector, the extent to which SFH can access, use and benefit from this support remains only partially documented, indicating a need for better targeting, monitoring and evidence on their specific situation.

1. Financial incentives based on EU funding

1.1. The European Regional Development Fund

In the previous financing period (2014-2020), ERDF resources allocated specifically to biodiversity objectives in Spain amounted to approximately EUR 1.1 billion, representing around 5% of the total ERDF allocation. While forestry was not directly targeted as a standalone priority, biodiversity-related measures funded under this envelope may have indirectly supported forest ecosystems and the ecosystem services they provide. For the current period (2021-2027), Spain has access to EUR 23.4 billion in ERDF funding, co-financed with national and regional contributions. These funds are distributed through one national thematic programme (Multiregional Programme) and 19 regional programmes, corresponding to each autonomous community[1].

More than EUR 9 billion will be invested in the regions' green transition towards a resource-efficient, climate-neutral, and competitive economy[2].

In Spain, both the national (Multiregional) ERDF programme—which accounts for half of the European Regional Development Fund resources available in the country—and the individual regional programmes have allocated funding under Specific Objective 2.7 to strengthen the protection and preservation of nature, biodiversity, and green infrastructure and under Specific Objective 2.4 to finance climate adaptation. According to a consulted forestry association the ERDF objectives 2.4 and 2.7 are well aligned with the challenges faced by them (even though access is not always possible, see below). The actions foreseen under these objectives are highly relevant from a nature-conservation perspective. Their potential implementation through sustainable forest management (SFM) activities represents a strong and coherent approach, even considering that SFM itself is not explicitly included within these objectives[3].

The ERDF under the Specific Objective 2.4 will finance climate adaptation actions that promote sustainable forest management as a means to enhance resilience and prevent disasters. Prioritised measures include:

- Adaptation actions to climate change, giving priority to actions with a preventive approach, preferably through nature-based solutions.
- Preventive actions, such as:
    - fluvial restoration and hydrological-forestry restoration;
    - interventions on riparian vegetation cover;
    - actions aimed at the recovery of river slopes;

[1] European Commission: Directorate-General for Environment, *3 billion additional trees by 2030 – Financing guide*, Publications Office of the European Union, 2024, https://data.europa.eu/doi/10.2779/41719

[2] From https://ec.europa.eu/regional_policy/whats-new/newsroom/30-03-2023-spain-launches-new-programmes-for-the-european-regional-development-fund_en as seen in European Commission: Directorate-General for Environment, 3 billion additional trees by 2030 – Financing guide, Publications Office of the European Union, 2024, https://data.europa.eu/doi/10.2779/41719

[3] Consultations with forestry associations from Spain took place in September and October 2025. Their input has been addressed and included within this report.

- adaptive forest management interventions;
- promotion of sink capacity through reforestation and revegetation of areas;
- adaptation of coasts to climate change.

Prevention may also be strengthened through civil engineering works, such as:

- construction of new flood control dams;
- rehabilitation of existing dams through renewal of electromechanical equipment and valve and monitoring systems;
- reinforcement of fire defence infrastructures.

These measures also aim to adequately equip the EU to prevent large forest fires, which can cause significant damage to people, property, and biodiversity, and to ensure capacity to act when such fires occur

Under Specific Objective 2.7:

- Actions will focus, on the one hand, on the parts of the framework related to maintenance and restoration measures for species and habitats linked to Natura 2000 sites, in particular marine and coastal waters as well as forests and forested areas.
- On the other hand, actions will address additional green infrastructure measures beyond Natura 2000 (which improve the coherence of the Natura 2000 network), including capacity-building on green infrastructure.
- The proposed actions, for all categories of regions, will support:
  - protection of biodiversity against climate change;
  - monitoring and conservation of terrestrial and marine biodiversity, particularly within the Natura 2000 network;
  - development of green infrastructure in terrestrial, marine, and urban areas.

Actions will also include measures to promote sink capacity and reduce greenhouse gases, for example through reforestation, planting, revegetation, or interventions in coastal ecosystems to increase their carbon storage capacity.

Further actions may focus on reducing all forms of pollution, respecting the “polluter pays” principle, including:

- remediation of contaminated or degraded soils;
- prevention of marine water and air pollution.

Actions in forest ecosystems will contribute to the EU Forest Strategy for 2030 objective to “protect, restore and expand EU forests to combat climate change, reverse biodiversity loss, and ensure resilient and multifunctional forest ecosystems”.

The ERDF Programme for Andalusia (2021–2027) includes funding for mitigation, adaptation, and preventive measures to enhance the region’s resilience to natural disasters, acknowledging its geographical susceptibility to climate change. It also aims to promote sustainable water

management through an integrated approach, advancing the shift towards a circular economy while safeguarding nature and designated Natura 2000 sites.

In Castilla y León, the ERDF Programme for 2021–2027 is set to significantly enhance risk protection services, particularly in relation to forest fire prevention. It also aims to improve access to and adaptation of Natura 2000 sites, thereby enhancing services available to tourists. The Basque Country's ERDF Programme similarly provides funding for biodiversity conservation, environmental protection, and measures to reduce greenhouse gas emissions. In the ERDF Programme 2021–2027, 2.1.1.1 Specific Objective: RSO2.4 Promote adaptation to climate change and disaster risk prevention, as well as resilience, taking into account ecosystem-based approaches, it is stated that

> *the programme will support actions to adapt forest fire prevention and extinction resources to the new climate change context. The regional authority has traditionally maintained and reinforced forest fire prevention operations, but the growing occurrence of severe wildfires ("sixth-generation fires") requires further strengthening of both prevention and extinction capacities. Modernisation and renewal of the fleet of forest fire engines will be carried out. The new vehicles, assigned to prevention and extinction crews, will perform a range of tasks depending on the season and fire risk levels. The modernised fleet will enhance operational effectiveness, reduce emissions, lower environmental impact, and improve protection of ecosystems and local populations. FEDER funding will provide the competent forest authority with equipment and resources to carry out preventive work in public forests, which form part of Castilla y León's Protected Natural Areas Network and are managed by the regional forest and conservation authority*[4].

The ERDF Programmes for Catalonia and Madrid also prioritise the financing of nature conservation and protection actions.

In Catalonia, the ERDF Programme 2021–2027, in the 2.1.1.1 Specific Objective RSO2.4: Promote adaptation to climate change and disaster risk prevention, as well as resilience, taking into account ecosystem-based approaches, includes:

- Improvement of the resilience of forest stands and actions to reduce damage caused by natural disasters in the natural environment and rural interface (major wildfires, floods, avalanches).
    - The planned actions help to prevent the spread of wildfires by sectorising the territory, so that the effects of such catastrophes are confined to much smaller areas, limiting the damage to the environment and various habitats, and ensuring the preservation of biodiversity.
    - These actions, as part of the Catalonia Bioeconomy Strategy 2030, aim to prevent damage caused by natural risks such as wildfires, erosion, desertification, floods, landslides and avalanches.

[4] Government of Spain, Ministry of Finance, Programa de Castilla y León FEDER 2021-2027, available at: https://www.fondoseuropeos.hacienda.gob.es/sitios/dgfc/es-ES/ipr/fcp2020/P2127/PF/Paginas/PFEDER.aspx.

- Renewal of ground-based forest fire prevention and extinction equipment.
    - The renewal of ground-based firefighting vehicles is necessary to ensure an effective response in disaster situations. The equipment will also contribute to preventive work carried out by the fire brigade to reduce biomass loads at strategic points. Altogether, this will help reduce the frequency of disasters caused by wildfires and droughts, improve the adaptation of ecosystems to climate change, and mitigate the resulting damage.
    - In general terms, the expected results of these actions are:
        - To reduce the occurrence of disasters caused by floods, flash floods, droughts and wildfires, and to mitigate their environmental, social and economic impacts.
        - To achieve forest areas that are better adapted and more resilient to wildfires, as well as rivers, soils and ecosystems that are better adapted to climate change.
        - To improve forecasting capacity for flash floods and floods, and the information available on the impact of climate change on such phenomena[5].

Meanwhile, Galicia's programme is focused on restoring biodiversity and promoting a form of tourism that harmonises with the preservation of both natural and cultural heritage.

In Asturias, the ERDF Programme will finance projects that support climate change adaptation—efforts that ultimately contribute to the preservation of biodiversity and nature, which are regarded as key regional assets. However, biodiversity is not explicitly mentioned in the ERDF Programmes for Aragon and Extremadura.

While all the programmes mentioned above devote significant financial resources to biodiversity and prevention of natural disasters, none of them specifically mentions SFH, or private forest owners, as primary beneficiaries of this funding, and the extent to which SFH can benefit from this funding remains unclear. A consulted forestry association stated that ERDF and CAP funds remain largely theoretical for SFHs. In practice, a significant share of the allocated resources is lost along the administrative chain, absorbed by consultancy fees, intermediaries, or regional structures, and rarely reaches the end beneficiaries. Similarly, another forestry association affirmed that the main challenge lies in accessing these instruments. Local entities often have very limited resources, and only the larger ones can afford a dedicated technician to manage funding procedures. Smaller organisations are therefore unable to participate in these schemes. SFHs and SFOs are also generally unaware of available funding opportunities. In regions with highly fragmented ownership, such as Castilla y León, these instruments can only be effectively accessed through the support of associations.

[5] Government of Spain, Ministry of Finance, Programa de Cataluña FEDER 2021-2027, available at: https://www.fondoseuropeos.hacienda.gob.es/sitios/dgfc/es-ES/ipr/fcp2020/P2127/PF/Paginas/PFEDER.aspx

1.2. Common Agricultural Policy (CAP)

The Spanish CAP Strategic Plan establishes that EUR 2.67 billion (EU rural development budget), is destined for interventions beneficial for climate, the environment and animal welfare, such as sustainable management of pastures, through extensive grazing and transhumance, protection of birds by limiting the use of fertilisers and pesticides or fight against erosion through cover crops and minimum tillage. The funding dedicated to 'Environmental and climate objectives under rural development' will be EUR 2 674 259 658. 16% of the Spanish Natura 2000 sites will be financially supported to improve and maintain the conservation status of their habitats and species. As in the past, Spain will keep a large budget allocated to forests: nearly EUR 819 million of total rural development funding will promote afforestation, agroforestry, fire prevention, restoration and adaptation of forests and forest activities[6].

The available literature in this topic referred to very limited public information available regarding the practical implementation of these interventions, as well as indication that given the wide range of actions envisaged, it is not possible to determine the budget allocated exclusively to the forestry sector. Two consulted forestry associations stated that there is a low uptake of CAP financial instruments by SFHs, due to complex bureaucracy, fragmented ownership and short programming periods. Another association affirmed that ERDF and CAP funds remain largely theoretical for SFHs. In practice, a significant share of the allocated resources is lost along the administrative chain, absorbed by consultancy fees, intermediaries, or regional structures, and rarely reaches the end beneficiaries.

Regional governments (Autonomous Communities) must ensure that at least 40% of spending is allocated to environmental, climate-related and other management commitments (ENVCLIM).

The interventions with the highest potential to influence forest biodiversity include:

6502.1 – Voluntary Forest Management Commitments

This measure falls under the minimum 40% environmental and climate-related interventions (ENVCLIM) and aims to support forest management practices that go beyond what is legally required. These are voluntary commitments where forest managers adopt actions that contribute to climate or environmental improvement.

Silvicultural maintenance operations, carried out after environmental forestry investments and beyond legal obligations, can be eligible under this intervention. For example, creating standing or fallen deadwood, ensuring stand stability, or activities related to game management may qualify.

Support is offered to compensate forest owners for additional costs or income losses due to adopting these voluntary practices.

At the time of the referred report (2023) only four autonomous regions had implemented this measure (Galicia, Cantabria, Castilla-La Mancha, and Extremadura). According to the national

[6] European Commission, At a glance: Spain's CAP Strategic Plan, 1 September 2022.

government, low forest productivity and widespread abandonment of forest management in Spain make it difficult to identify suitable areas and participants for this voluntary scheme. Additionally, because forest cycles are long, the 5- to 7-year programming period is often not well suited. In the previous funding period, only Castilla-La Mancha was successful in implementing the equivalent measure (Submeasure 15.1), despite attempts by other regions.

A consulted forestry association emphasised the high potential of this measure to support voluntary management, while noting with concern the limited number of autonomous communities that have implemented it.

6502.2 – Maintenance of Forest Plantations and Agroforestry Systems

This measure is only available in regions that support non-productive forestry investments (6881.1) or have existing commitments from previous funding periods. It ensures that newly created forest areas are properly maintained and compensates for the opportunity cost of no longer using the land for agriculture.

Support covers:

- Maintenance of forest plantations (e.g., clearing, pruning, watering, fencing).
- Abandonment of agricultural use due to afforestation.
- Maintenance of agroforestry systems.

Payments are made annually over 5–7 years and vary depending on the species planted and their commercial viability (e.g., higher for native species or riparian restoration).

6712 – Payments for Disadvantages from Mandatory Environmental Requirements (Water Framework Directive & Natura 2000)

This measure provides compensation for forest owners and managers affected by restrictions due to EU environmental directives (Habitats and Birds) or similar regional rules. These may include limits on harvesting, land use, or timing of operations.

Only Asturias and Castilla-La Mancha include forest-specific compensation:

- Asturias: limits on clearing for pasture improvement.
- Castilla-La Mancha: includes:
    - Reductions in timber/fuelwood harvesting to protect mature forests or nesting raptors.
    - Cork harvesting limits if bird colonies are present.
    - Compensation aims to cover income losses compared to regional forest management standards.

6881.1 – Non-Productive Forestry Investments in Afforestation and Agroforestry Systems

This is a classic afforestation scheme, now expanded to agroforestry. It covers one-off investment costs for establishing new forest areas, including planning, site preparation, planting, and infrastructure.

Eligible actions:

- Project preparation
- Vegetation management
- Site preparation
- Plantation (including gap replanting)
- Necessary infrastructure

6881.2 – Non-Productive Forestry Investments for Forest Damage Prevention

This intervention has the largest budget allocation and is implemented in all Autonomous Communities except the Basque Country (which uses its own funds for forest risk management). Its main goal is to reduce the risk and impact of forest damage from wildfires, pests, disease, windthrow, or snow – risks expected to increase with climate change.

Eligible actions include:

- Drafting of management plans and project designs
- Silvicultural works to prevent fire in forests, farmland, and along infrastructure corridors
- Construction and maintenance of forest roads
- Installation and improvement of pastures using livestock for preventative grazing
- Building and maintaining water storage or distribution systems
- Infrastructure for fire prevention (e.g. watchtowers, communication systems, coordination bases)
- Fire cause research
- Hydrological damage prevention
- Monitoring networks for forest health
- Active wildfire prevention actions

Silvicultural work and pasture installation directly affect forest structure (e.g. vertical structure, open areas), while other actions enhance forest resilience, supporting long-term forest continuity.

6881.3 – Non-Productive Forestry Investments in Post-Damage Restoration

This measure is active in all regions except the Balearic Islands and Basque Country. It supports the recovery of forest ecosystem functions after damage – primarily from wildfires, though also from pests or avalanches. Restoration efforts must align with climate resilience and adaptation goals.

Eligible actions include:

- Planning and management project drafting
- Pre-restoration treatments (e.g. clearing, felling, debris removal)
- Erosion control
- Reforestation of damaged areas with associated infrastructure
- Grazing management (e.g. fencing, paddock improvements)

- Biodiversity enhancement (e.g. water points for fauna, shelter installations)

6881.4 – Non-Productive Forestry Investments in Silvicultural Works with Environmental Objectives

It is the second most funded forestry intervention and is implemented by nearly all regions except the Basque Country and Balearic Islands.

Eligible actions include:

- Forest management planning and silvicultural improvement projects (should ideally include biodiversity indicators like the Potential Biodiversity Index)
- Structural enhancement through silvicultural work (affecting vertical structure)
- Species diversification (promoting native species)
- Measures for sustainable use and public access to forests
- Restoration of livestock trails
- Supporting infrastructure to enable the above objectives

6883 – Productive Forestry Investments

This intervention focuses on enhancing forest productivity and market outputs (mainly timber, but also non-timber products). While it is not primarily biodiversity-focused, some actions can influence forest ecological variables.

Eligible actions include:

- Forest management plans and silvicultural projects with a productive aim
- Silvicultural interventions to enhance economic value (e.g. afforestation), affecting vertical structure and species composition
- Investment in harvesting, processing, mobilisation, and marketing (e.g. equipment, facilities)
- Auxiliary infrastructure for productive operations

7165 – Environmental Cooperation

A new measure with no direct equivalent in the previous funding period. It applies to both agriculture and forestry and supports environmental cooperation initiatives. Only La Rioja, Extremadura, and Valencia include the forestry sector; other regions focus on agriculture.

Eligible actions include:

- Land stewardship initiatives for the conservation of game species
- Cooperative tools and strategies for climate change adaptation and mitigation (e.g. carbon capture)
- Biomass producer-user cooperation projects
- Projects for management planning of protected areas or threatened species in rural or forest areas[7].

[7] Górriz, E., Muntané, J., Puig, I. (2023). Analysis of innovative financing mechanisms (direct and indirect) for biodiversity conservation in sustainable forest management. Life Biorgest, 90 p., available at: https://lifebiorgest.eu/docs/Herramientas%20innovadoras%20de%20financiacion%20e%20incentivos.pdf

1.3. LIFE, Interreg 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.

2. Financial incentives based on MS funding

2.1. State aid

The Biodiversity Foundation – a public state-run foundation – publishes periodically information about grants for the development of activities in the field of biodiversity, climate change and sustainable development covering the whole Spanish territory. The calls for projects and the conditions for applying for funding are published on the Foundation's website[8]. For example, in 2024, the Biodiversity Foundation launched a call for grants for environmental improvement in agriculture and forestry and sustainable development in the Doñana area, focusing on the implementation of projects that contribute to environmental improvement in the agricultural and forestry sectors, in order to contribute to sustainable development. The total funding for the grant programme was EUR 11.5 million, with individual project funding ranging from EUR 300,000 to EUR 2 million, provided by the Biodiversity Foundation[9]. In 2023, the Biodiversity Foundation launched a call for grants to promote forest bioeconomy, focusing on supporting transformative projects aimed at advancing the bioeconomy linked to the forestry sector and contributing to the ecological transition. The funding programme was regulated by *Order TED/1014/2021* and modified by *Order TED/408/2023*. Under these schemes, collective entities that own forests and non-profit associations of forest owners with their own legal personalities are eligible. Small forest owners must therefore belong to groupings amongst themselves to apply for these grants.[10] Various types of actions and objectives can fall within the framework of this scheme. These include projects aimed at developing and diversifying forest uses and products that incorporate sustainability, promote biodiversity and supporting the provision of ecosystem services. Moreover, initiatives aimed at foresting more resilient landscapes in the face of disturbances such as drought, fires, pests and disease. Finally, the development of activities to revitalise areas affected by forest fires is also included. The total funding for the grant programme was EUR 77 million, with individual project funding ranging from EUR 100,000 to EUR 2 million, financed through the Recovery, Transformation and Resilience Plan[11].

Spain does not use the European Commission State Aid Transparency Public Search website[12]. Instead, there is the National Transparency Register for public grants and aids, that shows the latest grant calls whose announcement is published in an official gazette and which have been registered in the Sistema Nacional de Publicidad de Subvenciones y Ayudas Públicas (National Register). One example found in the system is in Cantabria, the Environmental Research Centre awarded a direct grant of EUR 16 000 to the association 'Forests of Cantabria' under the

[8] Available at : https://fundacion-biodiversidad.es/buscador-de-convocatorias/, as seen in Directorate-General for Environment, 3 billion additional trees by 2030 – Financing guide, Publications Office of the European Union, 2024, https://data.europa.eu/doi/10.2779/41719

[9] Biodiversity Foundation, available at: https://fundacion-biodiversidad.es/otras_convocatorias/convocatoria-de-ayudas-para-la-mejora-ambiental-en-el-ambito-agrario-y-forestal-y-el-desarrollo-sostenible-del-entorno-de-donana/

[10] Biodiversity Foundation, 'Call for Grant Applications: Forest Bioeconomy 2023 – FAQs,' accessed 28 November 2025.

[11] See: https://fundacion-biodiversidad.es/convocatorias_del_pr/convocatoria-de-ayudas-para-el-fomento-de-la-bioeconomia-forestal-2023/

[12] State Aid Transparency Public Search

programme 'We Act Against Climate Change'. The measure targets legal entities not engaged in economic activity, active in the education sector (thus not targeting SFH). Funding is provided entirely from the regional budget of Cantabria for 2024 (Ley de Cantabria 02/2023, de Presupuestos Generales), without any EU co-financing[13].

A consulted forestry association stated that this kind of calls are in general hardly accessible for SFHs, given the complex application procedures and the tendency to favour large organisations or consortia.

2.2. Taxes and tax exemptions, subsidies

Regarding tax exemptions, the following were identified in literature:

- Tax on Economic Activities (IAE): According to Article 78(2) of Royal Legislative Decree 2/2004 of 5 March, which approves the consolidated text of the Law Regulating Local Treasuries (TRLRHL), forestry activity does not constitute a taxable activity for this municipal tax (nor do agricultural, fishing or livestock activities when dependent on others).
- Tax on the wealth of individuals (IP): This tax is fully competence of the autonomous communities, meaning that no tax exemption exists at the national level.
    - At the regional level, at least two deductions have been identified:
        - Since 2012, Catalonia has granted a 95% deduction on the part of the tax related to forest properties (Article 60 of Law 5/2012 of 20 March of fiscal and financial measures), provided that the properties are managed under a forest management plan approved by the competent authority.
        - Since 2018, Galicia has applied a full (100%) deduction on the part of the tax corresponding to shares in forest promotion companies (Article 13 ter, point two, of the Consolidated text of the legal provisions of the Autonomous Community of Galicia on taxes transferred by the State), contingent on maintaining ownership for a minimum of five years.
        - It should also be noted that each region sets different rates and deductions. For example, in Madrid there is a general 100% exemption, meaning the tax is effectively not applied.
- Immovable property tax (IBI): Unlike the IAE, forestry activities are not generally exempt from the IBI. However, the national framework law (TRLRHL, Article 62) provides specific exemptions:
    - Communal property and jointly held communal forests; Forests planted with slow-growing species, primarily for timber or cork, provided they meet density requirements; Forests under reforestation or regeneration plans approved by the forest administration (subject to prior exemption request, valid for 15 years).

[13] National Transparency Register for public grants and aids, available at: https://www.infosubvenciones.es/bdnstrans/GE/es/convocatorias/811468

    - Additionally, municipalities may apply a 50–90% discount on the full IBI rate for urban properties located in areas with a strong link to primary activities (agriculture, livestock, forestry, etc.) and lower levels of municipal services, as provided in Article 73 of the same law. However, the extent to which this option is applied is currently unknown.
- Personal Income Tax (IRPF):
    - Several favourable provisions apply at the national level:
        - Exemption from income tax of subsidies granted for the management of forests under an approved technical forest plan (for slow-growing species, with a production cycle of at least 20 years) (Law 35/2006 on the Personal Income Tax[14], additional provision four) – according to two consulted forestry associations, the impact of this measure for SFHs is limited since they often lack an approved management plan to qualify;
        - In the determination of personal income tax by the objective assessment method, 0.80 correction factor can be applied for forests managed under such plans (Order HAC/1264/2018, Annex 1).
    - At the regional level:
        - Asturias allows a 30% deduction (up to €1,000) for the money invested in obtaining sustainable forest management certification, applicable for one tax year;
        - Catalonia permits a 15% deduction for donations to environmental or land stewardship organisations (up to 5% of the total regional tax due).
- Corporate income tax (IS)
    - Since 2015, forest companies (owner groups with use rights transferred for at least 20 years) may deduct 10% of expenses and investments in conservation and access (Law 43/2003 on Forests[15], additional provision thirteen);
    - Subsidies for forests with approved forest organisational instrument and slow-growing species are exempt from the tax base (Law 27/2014 on Corporate Income Tax[16], Article 19.6), as are aid payments for loss recovery (additional provision three);
    - Communal forests benefit from a reduction in the taxable base equal to conservation investments and may be exempt from filing if no income or expenses occurred (Article 112).

[14] Law 35/2006, of 28 November, on Personal Income Tax and partially amending the laws on Corporation Tax, Non-Resident Income Tax and Wealth Tax, (*Ley 35/2006, de 28 de noviembre, del Impuesto sobre la Renta de las Personas Físicas y de modificación parcial de las leyes de los Impuestos sobre Sociedades, sobre la Renta de no Residentes y sobre el Patrimonio)*, «BOE» number 285, of 29/11/2006, available at: https://www.boe.es/eli/es/l/2006/11/28/35/con.

[15] Law 43/2003, of 21 November, on Forests, (*Ley 43/2003, de 21 de noviembre, de Montes*), «BOE» number 280, of 22/11/2003, available at: https://www.boe.es/eli/es/l/2003/11/21/43/con.

[16] Law 27/2014, of 27 November, on Corporation Tax, (*Ley 27/2014, de 27 de noviembre, del Impuesto sobre Sociedades*), «BOE» number 288, of 28/11/2014, available at: https://www.boe.es/eli/es/l/2014/11/27/27/con.

- Value Added Tax (VAT): Under Law 37/1992, on Value Added Tax[17], forest owners may qualify for the Special Regime for Agriculture, Livestock and Fisheries, which exempts them from charging and paying VAT while allowing a fixed compensation for input VAT. Resin extraction has also been included since 2014. Furthermore, goods and services supplied to forest owners are taxed at a reduced 10% VAT rate.
- Inheritance and Gift Tax (ISD): The national framework (Law 19/1995) provides for reductions in the taxable base for forest property transfers:
    - 90% for land within protected natural areas;
    - 75% for land with an approved IOF – according to two consulted forestry associations, the impact of this measure for SFHs is limited since they often lack an approved management plan to qualify);
    - 50% for other forested rural land, provided it remains forested and is not transferred, leased, or assigned for five years.[18]

In addition, in Spain, incentives for forest management are outlined in Law 43/2003 of 21 November on Forests[19], alongside regional legislation. Article 63 of this law prioritises support for managed, protected, and catalogued forests, encouraging the use of market-based conservation tools. Article 64 allows subsidies for sustainable forest management activities, while Article 65 provides incentives for environmental services such as biodiversity conservation, carbon sequestration, and soil and water protection, delivered through subsidies, contracts, or direct investment. Article 66 supports the creation of credit lines for forest investment, which can be combined with other incentives. A consulted forestry association noted that the autonomous communities most active in forest management tend to offer the most favourable conditions. It would be desirable for similar incentives and support mechanisms to be made available across all regions, ensuring more equitable access to forest management opportunities throughout Spain.

According to another consulted forestry association, the most impactful incentives are often those related to post-fire restoration, reforestation support, and tax relief, which are essential to keep forest management viable.

2.3. Funding provided by regional and local authorities

A consulted forestry association stated that regional and local funding is the most important one for SFHs and SFOs. Some examples are provided below.

The Girona Provincial Council has offered support for mature forest conservation since 2007. Initially focused on establishing forest reserves in the Montseny Natural Park, the scheme later

[17] Law 37/1992, of 28 December, on Value Added Tax, (*Ley 37/1992, de 28 de diciembre, del Impuesto sobre el Valor Añadido*), «BOE» number 312, of 29/12/1992, available at: https://www.boe.es/eli/es/l/1992/12/28/37/con.

[18] Górriz, E., Muntané, J., Puig, I. (2023). Analysis of innovative financing mechanisms (direct and indirect) for biodiversity conservation in sustainable forest management. Life Biorgest, 90 p., available at: https://lifebiorgest.eu/docs/Herramientas%20innovadoras%20de%20financiacion%20e%20incentivos.pdf

[19] Law 43/2003, of 21 November, on Forests, *Ley 43/2003, de 21 de noviembre, de Montes*, «BOE» number 280, of 22/11/2003, available at: https://www.boe.es/eli/es/l/2003/11/21/43/con

expanded across the province with private funding. When such funding ceased during the financial crisis, support was limited to municipal applicants, except in Montseny. Landowners commit to refraining from forestry operations on selected plots for 25 years. The amount is the lost profits of not selling that wood, and it is made in a single initial payment. The Provincial Council checks that this commitment is reflected in the management plan to ensure that no logging permits are granted during the period[20]. In the call published in 2021, beneficiaries included private forest owners, managers, agricultural and livestock farmers, service companies, residents, and municipalities; in the case of municipalities, it referred to municipal administrations (i.e. public owners of forest lands or public infrastructures, not individuals). The subsidies supported forest management, conservation, restoration, energy efficiency, and biodiversity measures, covering up to 50–100 % of eligible costs depending on the measure[21].

At the regional level, certain Autonomous Communities also allocate funding for biodiversity-focused initiatives. For instance, the Regional Government of Madrid issues annual calls for proposals to support environmental activities and projects implemented by NGOs. This funding supports, among other objectives, the conservation of flora and fauna within the Community of Madrid and the protection of biodiversity in Natura 2000 sites[22].

In Catalonia, the Forest Property Centre is tasked with promoting sustainable forest management to improve the condition and quality of Catalonia's private forest land (80% of the territory and 1.5 million hectares), which is a key structural element and the basis for many economic activities, a source of renewable resources and direct and indirect benefits for society as a whole. The Forest Property Centre manages two main lines of action: one relating to ordinary aid for sustainable forest management and the other relating to extraordinary aid for the recovery of forest potential in areas affected by major natural disasters. They publish grants for promoting sustainable forest management on privately owned land[23]. For example, the 2025 call for grants to promote ecosystem services through sustainable forest management on privately owned land in Catalonia. It targets private forest landowners and their associations with an approved forest management plan (instrument de ordenació forestal). Eligible activities include biodiversity-enhancing silvicultural practices and the establishment of forest reserves in mature or senescent stands. The funding covers actions such as marking and retaining habitat trees, creating deadwood, compensating for foregone timber revenue, and formalising 25-year conservation agreements[24]. The maximum amount of subsidies provided for in this call is EUR 730,000, and the amounts will be distributed as follows:

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[20] Górriz, E., Muntané, J., Puig, I. (2023). Analysis of innovative financing mechanisms (direct and indirect) for biodiversity conservation in sustainable forest management. Life Biorgest, 90 p., available at: https://lifebiorgest.eu/docs/Herramientas%20innovadoras%20de%20financiacion%20e%20incentivos.pdf

[21] Regulatory bases for grants for projects within the Montseny Natural Park and Biosphere Reserve, approved by the Diputació de Girona in 2021, available at: https://www.ddgi.cat/basescast/2020/2Bases_reguladores_subvencions_Parc_Natural_Montseny_2021.pdf.

[22] https://sede.comunidad.madrid/ayudas-becas-subvenciones/ayudas-proyectos-ambientales-0

[23] More information at: https://cpf.gencat.cat/es/cpf_02_serveis_tramits/cpf_tramits/Subvencions-i-ajuts/

[24] More information at https://cpf.gencat.cat/es/cpf_02_serveis_tramits/cpf_tramits/detall/24229-Ajuts-serveis-ecosistemics-per-a-la-gestio-forestal-sostenible-en-finques-de-titularitat-privada-2025.

a) EUR 365,000 for the promotion of silvicultural practices to produce forest biodiversity associated with target trees, compatible with active sustainable forest management.

b) EUR 365,000 for the establishment of forest reserves in senescent, mature and pre-mature stands and stands with maturity potential with related forestry work[25].

Another example is the grant for the restoration of forest damage on privately owned land for the year 2025. Eligible beneficiaries are individuals and legal entities that own privately owned forest land and their associations. The eligible interventions include clearing affected stands and processing residues in areas impacted by Matsucoccus sp., Diplodia sapinea, and Pinus pinaster decline. Targeted municipalities are located in the comarcas of La Selva, Gironès, Baix Empordà, Maresme, Vallès Occidental, Anoia, Bages, Baix Llobregat, and Solsonès[26]. The total amount of the grant EUR 175,438.60, co-financed by the European Agricultural Fund for Rural Development, in accordance with the CAP Strategic Plan 2023-2027. The maximum total amount that can be awarded to a single beneficiary is EUR 50,000.00[27].

In 2024, Castilla y León offered grants for the restoration of damage to forest land caused by fires[28]. Eligible beneficiaries included private forest owners, usufructuaries, public entities managing eligible land, associations, and communities of goods. In the case of land belonging to the State or the Autonomous Community, aid for restoration may only be granted when the body managing such land is a private body or a local authority. The areas must have suffered wildfires between 2012 and the call deadline, and only for fires officially recognised as disasters by the regional administration. The minimum eligible area is 15 hectares. Funded actions include restoration planning, clearing, erosion control, reforestation, infrastructure repairs, and up to five years of maintenance expenses. The maximum amount per application is EUR 500 000[29].

Another example is the grant intended to promote the planting of species that provide high-value forestry production in the territory of Castilla y León. Eligible beneficiaries include private landowners (physical or legal persons), usufructuaries, associations, communities of goods, and public entities managing eligible land (in the case of the State or Autonomous Community, the manager must be a private body or a local entity). The aid aims to support economically viable long-term forest plantations while providing environmental benefits such as carbon sequestration, biodiversity enhancement, and landscape improvement. Funded activities include site preparation, planting, plant protection and fencing, with an additional five-year maintenance

[25] More information at: https://dogc.gencat.cat/ca/document-del-dogc/?documentId=1014160.
[26] More information at: https://cpf.gencat.cat/es/cpf_02_serveis_tramits/cpf_tramits/detall/22440-rec-potencial-forestal.
[27] See: https://dogc.gencat.cat/ca/document-del-dogc/?documentId=1013069.
[28] A consulted forestry association described this funding as being of "great help." However, it emphasised that a shift in approach is needed: regional grants of this type should be preventative rather than reactive, provided before damage occurs to minimise risks and enhance the effectiveness of fire mitigation efforts. In other words, such funding should support proactive forest management rather than compensating after the event.
[29] More information at: https://www.tramitacastillayleon.jcyl.es/web/jcyl/AdministracionElectronica/es/Plantilla100Detalle/1251181077965/Ayuda012/1285364717212/Propuesta.

premium[30]. The aid is co-financed by the European Agricultural Fund for Rural Development (EAFRD), the Spanish State and Castilla y León. Maximum eligible amounts vary depending on species, planting density, and technique, reaching up to EUR 5 938 per hectare for *Quercus* species[31].

Other regions such as Cataluña[32], Galicia[33], Navarra[34], Murcia[35], and La Rioja[36] offer similar regional-level funding schemes. Additionally, the Municipality of Madrid[37] is backing the initial phase of a major tree-planting project aimed at developing a green urban belt known as the Metropolitan Forest of Madrid. To meet the high demand for trees across the project area, tree nurseries are being funded with support from the European Regional Development Fund (ERDF)[38].

According to a consulted forestry association, regional funding for SFHs in Spain is highly uneven, with many regions offering only limited financial support. Reported barriers include minimum eligible area requirements and co-financing obligations. In some territories with extreme land fragmentation and abandonment (e.g. Cuenca, Serranía de Guadalajara), access barriers are highest.

Another consulted forestry association mentioned the important role of local forest associations, cooperatives, and municipalities that often act as intermediaries between SFHs/SFOs and public administrations to access these calls.

FINANCIAL INCENTIVES IN FOCUS: Galicia, Subsidies of the Rural Department for Joint Forest Management

- Historical background

The joint forest management group policy in Galicia is one of the main tools for the structural transformation of Galician forests. Its aim is to mobilise underused forest land, improve the profitability of forestry activities and promote the economic, environmental and social sustainability of rural areas. Through cooperation between landowners and public

[30] More information at: https://www.tramitacastillayleon.jcyl.es/web/jcyl/AdministracionElectronica/es/Plantilla100Detalle/1251181050732/Ayuda012/1285363554758/Propuesta

[31] See: https://www.tramitacastillayleon.jcyl.es/web/jcyl/binarios/404/870/MAV_1469_2023_BBRR_y_Correccion.pdf?blobheader=application%2Fpdf%3Bcharset%3DUTF-8&blobnocache=true.

[32] https://mediambient.gencat.cat/es/05_ambits_dactuacio/educacio_i_sostenibilitat/tercer_sector_ambiental/ajuts_projectes_edu_sensibilizacio_ambiental/ as seen in DG Environment, 3 billion additional trees by 2030 – Financing guide, 2024.

[33] https://www.xunta.gal/dog/Publicados/2022/20220125/AnuncioG0595-130122-0005_gl.html as seen in DG Environment, 3 billion additional trees by 2030 – Financing guide, 2024.

[34] https://www.navarra.es/es/-/medio-ambiente-destina-277-000-euros-para-proyectos-de-educacion-y-sensibilizacion-ambiental-voluntariado-ambiental-y-ciencia-ciudadana as seen in DG Environment, 3 billion additional trees by 2030 – Financing guide, 2024.

[35] https://murcianatural.carm.es/web/guest/ayudas-y-subvenciones as seen in DG Environment, 3 billion additional trees by 2030 – Financing guide, 2024.

[36] https://www.larioja.org/medio-ambiente/es/subvenciones as seen in DG Environment, 3 billion additional trees by 2030 – Financing guide, 2024.

[37] https://bosquemetropolitano.madrid.es/ as seen in DG Environment, 3 billion additional trees by 2030 – Financing guide, 2024.

[38] DG Environment, 3 billion additional trees by 2030 – Financing guide, 2024.

administrations, the aim is to respond to historical challenges in the sector, such as fragmentation of ownership, abandonment of the land and lack of professional planning.[39]

It first emerged through the promulgation of Law 7/2012 on forests in Galicia, which was published in July 2012 and entered into force in September 2012.[40] In particular, Article 122 of this law is the main source of the incentive as it creates Forest Development Companies (SOFOR), which are a specific type of territorially based groups which are constituted in the form of a commercial or civil company. According to this Article, joint forest management groups are organisations formed by individuals who own or hold rights to use forest land for the purpose of:

- Increasing the profitability of forestry activities
- Promoting sustainable forest management and long-term planning
- Prevent forest fires and contribute to climate change mitigation and adaptation
- Restore forest use in abandoned rural areas
- Promote joint marketing, endogenous employment and rural revitalisation[41]

These groups may be declared to be of general interest, recognising their social and environmental value in Galicia.

The legal framework governing this initiative has been further developed in the past ten years, which is explored in the next section below.

- Legal/strategic background

The legal framework governing joint forest management groups and Forest Development Companies (SOFOR) is composed of the following legislative instruments:

- Law 7/2012, of 28 June on forests in Galicia[42]
- Decree 45/2011, of 10 March, which regulates the promotion of forest owner groups, the requirements and classicisation of Forest Development Societies (SOFOR) and the creation of the SOFOR Register[43]
- Law 11/2021, of 14 May, on the recovery of agricultural land in Galicia[44]
- Order of 26 April 2022, implementing the electronic processing of applications for recognition as a joint forest management group and as an active forester[45]
- Order of 17 October 2023, publishing model statutes for joint forest management groups and model forms for establishing rights of use and exploitation in Galicia[46]

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[39] Interview with the *Xunta* (government) of Galicia, 9 October 2025.

[40] Ley 7/2012, Law of 28 June 2012 on Forests of Galicia.

[41] *Ibid*, Article 122.

[42] Ley 7/2012, de 28 de junio, de montes de Galicia.

[43] Decreto 45/2011, de 10 de marzo, por lo que se regula el fomento de las agrupaciones de propietarios forestales, los requisitos y calificación de las sociedades de fomento forestal y la creación de su registro.

[44] Ley 11/2021, de 14 de mayo, de recuperación de la tierra agraria de Galicia.

[45] Orden de 26 de abril de 2022 por la que se desarrolla la tramitación electrónica de las solicitudes para el reconocimiento como agrupación forestal de gestión conjunta (código de procedimiento MR608B) y como persona silvicultora activa (código de procedimiento MR608C).

[46] Orden de 17 de octubre de 2023 por la que se publican modelos de estatutos para agrupaciones forestales de gestión conjunta y modelos tipo para constituir derechos de uso y aprovechamiento en Galicia.

The incentive was recently further developed by the Order of 20 March 2025, which sets out the regulatory bases for competitive grants to promote and support jointly managed forestry groups, within the framework of Spain's Recovery, Transformation and Resilience Plan financed by the European Union-NextGenerationEU[47].

- Budget of the incentive

Total budget: EUR 1,402,582 for 2025–26, financed entirely by the European Union through funds allocated to the Regional Government of Galicia under the Recovery, Transformation and Resilience Plan, which is financed by the European Union's NextGenerationEU programme through the Recovery and Resilience Facility instrument. Specifically, this amounts to EUR 280,516 in 2025 and EUR 1,122,066 in 2026.

The intensity of the aid may be up to 100% of the total eligible investment, and the amount of aid to be received by each beneficiary entity may not exceed EUR 50,000.

- Type of activities covered

The purpose of the incentive is to provide a measure to promote the creation of joint forest management groups and to support those already established. This is done through two lines of aid:

Line I: Activities for creating new joint forest management groups. This line is split into two types of groups, both of which support initiatives for sustainable and diversified joint management of land used for forestry.

  - For basic joint forest management groups:
    - Identifying the initiative to form the group.
    - Costs for processing and registering the new entity.
    - Adhering to good practice guidelines and silvicultural models.
    - Registering with the Registry of Consolidated Masses of Native Broadleaves.
  - For territorial-based joint forest management groups:
    - Initial actions such as listing the surface area and type of member participation, providing documentation for land use rights, and creating polygonal maps of the managed surface.
    - Costs for processing and registering the new entity.
    - Reviewing land parcels and their status.
    - Investigating land ownership.
    - Adhering to good practice guidelines and silvicultural models.
    - Registering with the Registry of Consolidated Masses of Native Broadleaves.

Line II: Activities for supporting existing joint forest management groups. This line provides support for groups that are already created and registered.

[47] https://www.xunta.gal/dog/Publicados/2025/20250408/AnuncioG0426-200325-0003_es.html

- Reviewing land parcels and their status when expanding the group.
- Investigating ownership of parcels for expansion.
- Good governance of the groups.
- Implementing internationally recognised certification systems and incorporating ecosystem services.
- Adhering to good practice guidelines and silvicultural models.
- Registering with the Registry of Consolidated Masses of Native Broadleaves.
- Costs related to management, maintenance, and representation.

Activities under Line I and Line II are not compatible with each other. The grants cover costs for activities carried out between January 1, 2025, and January 31, 2026. Value-Added Tax (VAT) is not covered by the grants.

- Targeted beneficiaries

The beneficiaries of line I (aid for the creation of joint forest management groups, AFGC) will be:

a) Non-profit associations established to provide assistance, support and advice to owners or holders of land use rights in forest management planning and in the joint management and marketing of their resources, provided that they are composed of persons holding the aforementioned rights within the Autonomous Community of Galicia.

b) Civil societies and communities of property.

c) Cooperatives and other social economy entities.

d) Agricultural processing companies.

e) Commercial companies regulated by capital company legislation.

f) Forest development companies.

g) Any other entity whose purpose is the joint recovery of forest land.

that wish to register as an AFGC and whose activity is carried out on forest land.

The beneficiaries of line II will be all jointly managed forestry groups with a territorial base registered in the Register of Jointly Managed Forestry Groups established in Article 126 of Law 7/2012, of 28 June, on forests in Galicia, prior to the end of the application period for this incentive.

- Effects and impacts of the incentive. This initiative is part of a wider effort to promote sustainable forest management in Galicia, Spain, and is aligned with the Galicia Forestry Plan 2021-2040.

The funding for this initiative comes from the Recovery, Transformation and Resilience Plan (often referred to as the PRTR). The goal is to support actions that contribute to the conservation and restoration of ecosystems and biodiversity.

Specifically, the actions are linked to:

- The PRTR's sustainable forest management investment.
- The European Union's objectives for ecological transition, with a 40% contribution to climate goals and a 100% contribution to environmental goals.

The initiative also has an 8.4% contribution to digital transition and aims to achieve a specific milestone (milestone 425) related to promoting good governance in jointly owned forests.

All actions funded by this initiative must strictly adhere to the "do no significant harm" principle, meaning they cannot cause any significant damage to the environment. This includes complying with specific conditions for the funding as outlined in the various documents and agreements associated with the PRTR.

Since the inception of this initiative, the Government of Galicia (*Xunta de Galicia)* has observed positive effects and impacts in establishing joint forest management groups and in supporting those that had already been established. As of 2024, 24 groups have been formally established, 19 of which fall planned for the 2024 – 2025 program, with three additional expansions of already existing groups being foreseen within the same time period. As of writing, these joint forest management groups cover nearly 5000 hectares of land while over 1800 owners participate within this program. Workshops have also been promoted by the *Xunta* in order to facilitate communication amongst various stakeholders, with over 680 of these being held in 2025 as of October.[48]

- Strengths and weaknesses of the incentive

The interviewed representative of the *Xunta* noted that the main strength of this initiative is the fact that small landowners are able to join forces, resources and knowledge to manage the forests together.[49] This creates an economy of scale as the efforts and costs associated with managing the forests are split amongst the participants, who are sometimes in charge of managing over 1500 hectares of land. The interviewee noted how through this initiative, the regional government has been able to organise informative workshops with stakeholders in villages and towns to inform small forest holders on the dynamics and advantages of joint forest management. These informative workshops were further expanded in order to include business associations and many of them resulted in the actual creation of joint groups amongst the participants. Moreover, it is important to note that this initiative has facilitated synergies with other Galician initiatives aimed at small forest holders, such as the subsidies for woods construction explored in the next section. The joint groups allow small forest holders to get together and carry out projects aimed at harvesting and processing the wood of their forests but also fighting against other challenges faced, such as how to combat plagues that affect the trees and forest fires which have become more and more common throughout the summer months.[50]

The negative elements associated with this initiative are not necessarily weaknesses *per se* but rather are major obstacles and challenges which are generally associated with the Galician

[48] Interview with a representative of the Xunta of Galicia, 9 October 2025.
[49] ***Ibid.***
[50] ***Ibid.***

context. The properties of small forest holders are increasingly geographically fragmented into plots which thus create particular challenges for these individuals to create management groups amongst themselves. The creation of these groups sometimes requires the small forest holders to travel long distances in order to reach the plots of other small forest holders which they desire to group with. This also affects the efficiency of the creation of these groups as the fragmentation results in long processes for the finalisation of their constitution. In addition to this, the interviewee noted that there is a generalised lack of knowledge about the property and forest management which requires the regional government to invest in education and skill-building. There are many elderly small forest holders who tend to be reluctant to participate in the activities organised by the regional government.[51]

FINANCIAL INCENTIVES IN FOCUS: Galicia, Subsidies of XERA, for wood construction

Historical background

The Galician Forestry Industry Agency is a public body focused on boosting the economic activity of Galicia's forestry industry. Its main goals are to design green products from the forestry sector and improve the competitiveness and innovation of timber-related companies.

The agency is responsible for managing grants and promoting strategies that ensure a healthy balance between using natural resources and conserving biodiversity. This aligns with the European Union's long-term vision for a prosperous, modern, and climate-neutral economy by 2050.

The forestry industry plays a key role in achieving these climate goals. Wood is highlighted as a sustainable and fundamental material for the transition to a low-carbon economy. It stores carbon dioxide, can replace other high-emission products, and is a natural, recyclable building material with excellent thermal insulation properties that help reduce energy consumption in buildings.

Legal/strategic background

Resolution of 5 April 2024 establishing the regulatory bases and announcing, for the year 2024, on a non-competitive basis, subsidies for projects and works that use wood products as structural elements[52].

[51] *Ibid.*

[52] https://www.xunta.gal/dog/Publicados/2024/20240412/AnuncioG0520-050424-0001_es.html

Budget of the incentive

Grants covered by this resolution, with a total budget of EUR 5,000,000.00, will be funded by the general budgets of the Autonomous Community of Galicia for the years 2024 and 2025, according to the following details:

Concept	Application	2024	2025	Total
Aid for the use of wood	14.A4.741A.772.0	€200,000.00	€1,800,000.00	€2,000,000.00
	14.A4.741A.780.3	€300,000.00	€2,700,000.00	€3,000,000.00
Total		€500,000.00	€4,500,000.00	€5,000,000.00

Type of activities covered

The subsidies regulated are intended to promote the use of wood as a structural element through the following lines of support:

– Line 1.1: aid for the drafting of projects for new construction, renovation or refurbishment of high-rise dwellings, warehouses and business premises that use wood products as structural elements.

– Line 1.2: aid for the drafting of projects for the new construction, renovation or refurbishment of single-family dwellings that use wood products as structural elements.

– Line 2.1: aid for the use of wood products in new construction, renovation or refurbishment of high-rise dwellings, warehouses and business premises

– Line 2.2: aid for the use of wood products in new construction, renovation or refurbishment of single-family dwellings that use wood products as structural elements.

Targeted beneficiaries

The following may be beneficiaries of this aid[53]:

– Lines 1.1 and 2.1: The communities of communal woodland and small and medium-sized enterprises, including self-employed individuals, that have their registered office or a workplace located in Galicia; and cooperatives, associations, organizations, foundations, and non-profit entities that carry out their activity in Galicia.

– Lines 1.2: Natural persons, whether individually or jointly, who reside in Galicia.

Effects and impacts of the incentive.

The incentive gives strategic rationale (climate/energy context for wood in construction) but does not provide ex-post indicators or quantified impacts. The interviewed representative of the Government of Galicia (*Xunta de Galicia*) highlighted that they lack ex-post indicators or quantified data on the concrete construction projects for which the wood sourced within the

[53] *Ibid.*, Article 2.

scope of this initiative has been utilised.[54] However, despite this lack of concrete data on construction projects, the interviewee has stressed that since the initial phase of the initiative in 2020, the demands to participate from small forest holders doubled in 2022 and again in 2024.[55] According to this stakeholder, the reasons for the popularity of this initiative are two-fold. Firstly, both the small forest holders and construction firms see the benefits of fomenting the local Galician industry. The wood sourced from this initiative is environmentally and economically advantageous due to its close geographic proximity and its strong benefits to the local regional economy.[56] This initiative, therefore, allows local builders to source from their own local industry rather than having to import wood into Galicia, creatin a solid economic stimulus.

Secondly, the wood sourced from this initiative is marked with a quality guarantee through the *Pino de Galicia* label. This label also allows for a level of traceability for the *Xunta*, the construction firms and the small forest holders themselves through its synergy with a traceability tool developed by the *Xunta* called *Fortra*. This traceability allows stakeholders and users to know where the wood was cut, where it was processed and where it was placed. For many of the small forest holders and builders, the *Pino de Galicia* label serves not only as a mark of quality, but also as a guarantee to the promotion of Galician industry and the sustainability of the wood as it was sourced from local forests which have a smaller environmental impact due to its local nature resulting in transport and processing that is less carbon intensive.[57]

Strengths and weaknesses of the incentive.

The first main strength identified within the framework of this initiative has been the synergies created through the support systems provided by the *Xunta* which have been highlighted above. The *Xunta* has been able to utilise this incentive on wood construction with other initiatives and programs, such as those associated with the *Fortra* system and the *Pino de Galicia* label. This has been identified by stakeholders as a particular strength which allows individuals to trace wood from the starting phase until the finalisation of the relevant construction project.[58] The second major strength of this initiative has been the training, education and development of skills that the *Xunta* has been able to provide to small forest holders that have opted into this initiative. These skills are usually related to harvesting wood or building with the material itself. In addition to the small forest holders, architects as well as building companies and even universities. One stakeholder highlighted how these workshops and skill building elements of the initiative have driven a university to even develop a master's degree in wood building, which is a pioneering project in Spain.[59]

Concurrently, this leads to one of the main disadvantages of the initiative, which is indeed a lack of generalised knowledge on building with wood in Galicia, which therefore disincentivises

[54] Interview with Xunta de Galicia, 24 October 2025.
[55] *Ibid.*
[56] *Ibid.*
[57] *Ibid.*
[58] Interview with Xunta de Galicia, 24 October 2025.
[59] *Ibid.*

possible participants.[60] This is thus one of the main drivers of the *Xunta's* insistence on skill building amongst a variety of stakeholders and entities in using their product, that is, wood. A second disadvantage attached to this initiative is the difficulty that the *Xunta* finds in acquiring the adequate budget for carrying out their necessary tasks for its success. In particular, the costs associated with training require greater investment and moreover, the funds originate directly from the *Xunta* itself rather than from the central government or from the European Union. Finally, the last challenge that the *Xunta* often finds itself confronted with is the ability to effectively communicate with stakeholders.[61] The interviewed representative of *Xunta* explained that every year that the initiative has been in place, there have been new stakeholders who desire to get involved but which are not familiar with harvesting, processing or working with wood. This has been a particular challenge for the *Xunta* because they have been forced to stretch their already thin resources to accommodate demands, questions and enquiries from all types of stakeholders.[62]

This initiative has therefore been a large success as it has encouraged a wide range of stakeholders to participate and contribute as well allowing the development and training of various actors in harvesting and working with wood. However, this same success has created various complexities as the *Xunta* of Galicia does not possess a sufficient level of access to resources in order to meet this increasing demand that has continued to grow year after year.

FINANCIAL INCENTIVES IN FOCUS: Castilla y León grants for forest restoration

Historical background

The government of the region of Castilla y León (hereinafter, the *Junta*) first put in place grants and aid programs for forest restoration and repopulation in 1993. During this time, there were agricultural surpluses, and it was believed that less productive land needed to be removed from agricultural production.[63] The Spanish state wished to increase its rhythm in forestation during this time, and it created a legal regime for granting aid in order to incentivise investments in forestation within unproductive agricultural land. This was coupled with the desire to encourage developmental practices and the exploitation of rural forests. This eventually culminated into the Royal Decree 398/1993 which establishes these aid schemes. The autonomous communities in Spain were then able to channel these incentives for forests into their territories, while taking advantage of the legal competencies that these communities enjoy in forestry matters under the Spanish constitutional framework.

It was then in 1993 that the region of Castilla y León decided to create these aid schemes within their territory under the authority of the *Junta.* This program carried out by the *Junta* has

[60] *Ibid.*
[61] *Ibid.*
[62] The *Xunta* explained that they have created a specialised telephone line to for stakeholders to ask questions on this initiative, as previously they have been faced with a collapse of their lines due to the considerable amount of calls they had been receiving.
[63] Interview with Junta de Castilla y León, 6 October 2025.

continued to function throughout the years and calls for applications are published frequently published, with the most recent call taking place in 2023. [64]

The most recent iteration of the grant was established within the framework of European and Spanish agricultural and rural development policies. It is governed by Regulation (EU) 2021/2115, which sets the rules for the Common Agricultural Policy's strategic plans.

This aid aligns with the Spanish Strategic Plan for the Common Agricultural Policy for the period 2023-2027, which was approved by the European Commission. It specifically falls under interventions for rural development aimed at achieving a number of objectives, including climate change mitigation, sustainable resource management, and biodiversity conservation.

The authority to grant this aid in the autonomous community of Castile and León is delegated from the state to the regional government's Directorate-General for Natural Heritage and Forest Policy. Furthermore, the aid complies with Regulation 2022/2472, which ensures it is compatible with the European Union's internal market.

Legal/strategic background

The main relevant legal document which the *Junta* relies on for this initiative is Spain's Strategic Plan for the Common Agricultural Policy (PEPAC). This plan is the latest version of the implementation of the European Union's Common Agricultural Policy, which aims to offer support to key stakeholders working within the agricultural and rural sector, including forestry. The PEPAC was published in 2021 and applies to the period from 2023 to 2027 and sets out three key objectives for beneficiaries of aid initiatives:

- Promote a smart, competitive, resilient and diversified agricultural sector that guarantees food security
- Support and strengthen environmental protection, including biodiversity, and climate action and to contribute to achieving the EU's environmental and climate objectives
- Strengthen the socio-economic fabric of rural areas.

One of the key legal documents developed by the *Junta* is the Order of 8 February 2024, of the Regional Ministry of the Environment, Housing and Land Planning, announcing grants for the restoration of damage to forest land, co-financed by the European Agricultural Fund for Rural Development (EAFRD), within the framework of Spain's Strategic Plan for the Common Agricultural Policy (PEPAC) 2023-2027, for the year 2024[65].

Another key strategic document is Order MAV/1468/2023, of 21 December, establishing the regulatory bases for aid for the restoration of damage to forest land, contained within the

[64] *Ibid.*

[65] https://www.tramitacastillayleon.jcyl.es/web/jcyl/binarios/526/517/IAPA_2546_ExtractoConvocatoriaModificacion_2024.pdf?blobheader=application%2Fpdf%3Bcharset%3DUTF-8&blobnocache=true

framework of Spain's Strategic Plan for the Common Agricultural Policy for the period 2023-2027 and co-financed by the European Agricultural Fund for Rural Development (EAFRD)[66].

Budget of the incentive

The grant will be granted from budget item 04.08.456A01.770.65 of the General Budget of the Community of Castile and León for the year 2024, for an amount of EUR 3,000,000.

This grant is financed by the European Agricultural Fund for Rural Development (EAFRD), the General State Budget and the General Budget of the Community of Castile and León, in the percentages determined for each of them in the Strategic Plan for the Common Agricultural Policy for the period 2023-2027 (hereinafter referred to as the CAPSP), with the co-financing percentages to be detailed in the resolutions granting the grant.

Type of activities covered

Aid for the restoration of damage to forest land is intended to finance the costs arising from:

a) The drafting of a Damage Restoration Plan, under the terms established in the call for applications. Actions prior to restoration, such as clearing, tree felling, debris treatment (collection, disposal) and erosion control measures.

b) Vegetation restoration actions, such as reforestation of the affected areas (preparation of the land, acquisition of plants and planting, as well as their protection against various animal species through the installation of protectors).

c) Repair of protection infrastructure damaged by the fire or creation of infrastructure essential for the restoration of the burned area, such as forest tracks, water crossings, fences associated with planting, firebreaks and water supply points.

Targeted beneficiaries

The following may apply for this aid:

- Public entities that own land suitable for restoration. In the case of land belonging to the State or the Autonomous Community, aid for restoration may only be granted when the body managing such land is a private body or a local entity.
- Natural persons or legal persons under private law that are legally constituted, owners or usufructuaries mortis causa of land suitable for restoration.
- Groups of persons referred to in the previous point which, although lacking legal personality, are constituted for the main purpose of jointly carrying out the actions provided for in this order.
  Each member of this type of group shall also be considered a beneficiary. However, the aid shall be granted to the group.

[66] https://www.tramitacastillayleon.jcyl.es/web/jcyl/binarios/357/156/IAPA_2546_BBRR_MAV_1468_2023.pdf?blobheader=application%2Fpdf%3Bcharset%3DUTF-8&blobnocache=true.

One of its members must be appointed as the group's representative before this Administration in order to fulfil the obligations that, as a beneficiary, correspond to the group.

- Communities of property owners or usufructuaries mortis causa of land eligible for restoration.

Effects and impacts of the incentive, including indicators and quantitative data

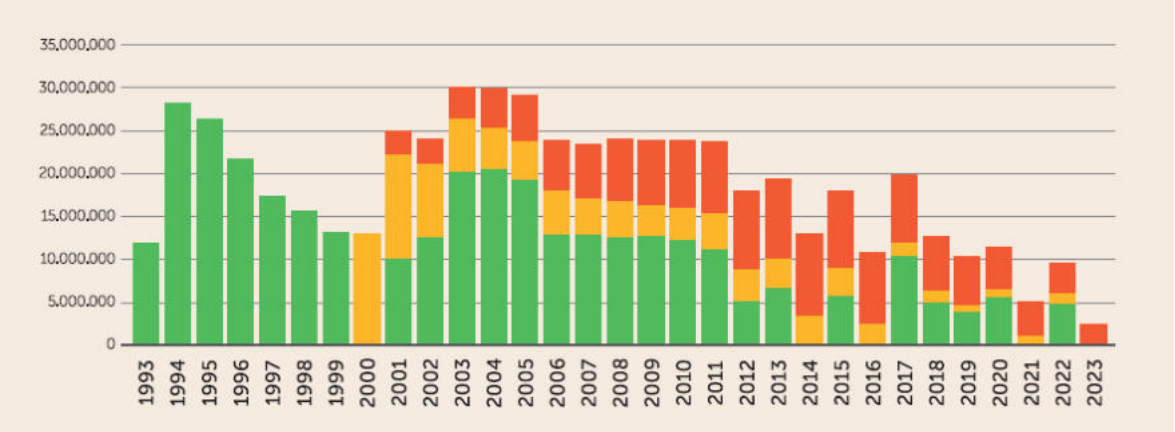
The interviewed representative of *Junta* noted that the most effective way of measuring the effects and impacts of this incentive is by carrying out an overview of the entire intervention on forest restoration aid carried out since 1993. In the period from 1993 to 2023, there have been more than 10 000 requests for aid for tasks such as tree planting and complementary work attached to forest restoration.[67] Since 1999, there have been more than 1000 requests for aid to finance the maintenance of the seedlings during their first five years of life.[68] Furthermore, since 2000, an average of 10 000 beneficiaries have received annual compensatory premium payments through this aid incentive.[69] The large amount of experience which this incentive has provided to stakeholders, through the forestation of thousands of hectares in carrying ecological conditions, has presented an immense opportunity to these actors to learn and to utilise their newfound knowledge.[70] A wide variety of methods for soil preparation, planting and species selection have been developed through this incentive and the continued evaluation of the suitability of plant sources in each location, as well as the most appropriate initial planting densities according to the species of plan, are just some of the tools which these incentives have afforded to the regional government as well as small forest holders over the years.[71] The *Junta* has developed the an online registry which contains all types of information on techniques and knowledge, which have been collected throughout the past thirty years, while also allowing the regional government to register new information in real time.[72]

Throughout the thirty years that the *Junta* has been providing incentives for forest restoration, they have invested 340 million EUR in order to fund the costs of planting and the additional labour required for these tasks.[73] The first five years of the program saw almost 98 million EUR being invested in the maintenance of the forests while the compensatory premium has been around 144 million EUR since 2001. Figure 1 below displays the amount granted in each call for initial forestation tasks 1993–2022 (green), for each year of maintenance premium 2000–2022 (yellow), and for each year of compensatory premium 2001–2023 (red), in euros:

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[67] Luis Carlos Jovellar Lacambra, Silvia Diaz-Fernandez, Santiag Cubillo Narganes, '30 Años plantando vida,' Junta de Castilla y León, 2023, p. 25.
[68] *Ibid*.
[69] Compensatory premium (*prima compensatoria*) refers to the economic aid provided for the maintenance of a forest, which is usually provided during the five years after the afforestation has been certified.
[70] Interview with a representative of Junta de Castilla y León, 6 October 2025.
[71] *Ibid.*
[72] This register is called "Sistema de Gestión de la información del Programa de Forestación de Tierras Agrícolas de Castilla y León" (SISREP 1.0),
[73] Luis Carlos Jovellar Lacambra, Silvia Diaz-Fernandez, Santiag Cubillo Narganes, '30 Años plantando vida,' Junta de Castilla y León, 2023, p. 27.

Figure 1 Budget for forest restoration grants in Castilla y León 1993-2023 (EUR)



Source: Luis Carlos Jovellar Lacambra, Silvia Diaz-Fernandez, Santiag Cubillo Narganes, '30 Años plantando vida,' Junta de Castilla y León, 2023, p. 28.

Furthermore, this incentive has had a strong impact on carbon-dioxide absorption within the region of Castilla y León. It is estimated that more than 29 million tonnes of carbon-dioxide has been absorbed from 1993 to 2022 by the masses of forests which have been created through this initiative. Figure 2 provides estimates the tonnes of carbon-dioxide absorbed per regional province since 1993:

Figure 2 Estimated CO_2 absorption

Ávila	985.440
Burgos	3.482.843
León	16.706.428
Palencia	1.022.246
Salamanca	1.943.688
Segovia	735.940
Soria	1.470.030
Valladolid	1.253.886
Zamora	1.707.580

Source: Luis Carlos Jovellar Lacambra, Silvia Diaz-Fernandez, Santiag Cubillo Narganes, '30 Años plantando vida,' Junta de Castilla y León, 2023, p. 33.

Finally, the incentive has financed more than 200 000 hectares of forest in Castilla y León, that is, more than 2% of the entire region.[74]

Strengths and weaknesses of the incentive

One major strength that has been highlighted by stakeholders has been the denominated "forest culture" which this program has helped develop within the region of Castilla y León. The

[74] *Luis Carlos Jovellar Lacambra, Silvia Diaz-Fernandez, Santiag Cubillo Narganes, '30 Años plantando vida,' Junta de Castilla y León, 2023*, p. 29

incentives have been designed to provide technical assistance to applicants and it has prioritised applicants who belong to joint forest groupings and those who belong to officially established forestry associations.[75] In 2022, 22% of the awarded aids corresponded to joint forest groupings, while 74% belonged to forestry associations.[76] These initiatives have created a large shift within the consciousness of people throughout Castilla y León and small forest holders, as this is a region that has historically been exclusively focused on agricultural exploitations. This has thus allowed the *Junta* to support a forest culture within zones which was virtually inexistent a few years prior. Another strength that this initiative has afforded is the potential for economic diversification due to the repopulation of forests throughout the region. With the growth of these forests since 1993, other industries have been developed in parallel such as the harvesting of high-quality wood, chestnuts, mushrooms and pine nuts.[77] In 2016, the *Junta* began to award financial aid in order to carry out the planting and harvesting of these products and since 2016, EUR 946 000 have been awarded towards this end. Another parallel initiative that the forest restoration initiative has facilitated has been a new line of aid first implemented in 2017 aimed at restoring damage suffered by forests which have been caused by forest fires and to reduce the environmental consequences that emerge from these. These have contributed to the restoration of 1400 hectares of forests.[78]

The most impactful challenge which has been identified by stakeholders is the ability of this incentive to remain competitive when faced with other possible subsidies being offered to private landowners. The number of applications for aid have been steadily decreasing which has thus resulted in less small forest holders participating in forest restoration initiatives and less aid being provided. It is also important to note that the budget attributed to the entire forest programme of Castilla y León has remained at EUR 184 million annually since 2001.[79] This fall in participants has been attributed to more economically beneficial initiatives and projects being offered to small forest holders and small landowners within Castilla y León. The *Junta* noted that returns offered by renewables, and photovoltaics in particular, have been the major driver to this loss of interest by small forest holders in forest restoration initiatives.[80] The stakeholders from the *Junta* noted that private landowners were being offered more financial compensation for projects funded by the private sector aimed at installing solar panels or other projects which were geared towards carbon-dioxide absorption.[81] Furthermore, the interviewed representative of the *Junta* stated that the compensatory premium which has historically been offered to incentivise small forest holders to carry out afforestation of their lands through the forest restoration incentive has been eliminated, which reduces the pull-factors which forest restoration can offer to these small forest holders. The focus on the *Junta* and their initiatives has always been investments in

[75] Interview with a representative of Junta de Castilla y León, 6 October 2025.
[76] *Ibid.*
[77] Luis Carlos Jovellar Lacambra, Silvia Diaz-Fernandez, Santiag Cubillo Narganes, '30 Años plantando vida,' Junta de Castilla y León, 2023, pp. 34.
[78] *Ibid.*, 35.
[79] 'Plan Forestal de Castilla y León,' Junta de Castilla y León, accessed 18 November 2025.
[80] Interview with Junta de Castilla y León, 6 October 2025.
[81] *Ibid.*

reforestation, which implies preparing the land and planting, plus the five years of maintenance. The terrain where these forestation projects have taken place are very difficult, and thus, there is heavy workload in replacing dead plants and removing vegetation for the success of the afforestation. Landowners were only paid the compensatory premium when the afforestation went well, which means 70% of living plants remaining.[82] The logic behind this compensatory premium was the lost income suffered by the landowner for deciding to use their land for afforestation rather than agricultural or livestock activity. Thus, the competitiveness of this initiative has been immensely reduced and while in the past, Castilla y Leon was reforesting up to 27 000 hectares per year, this has been reduced to less than 5000 today.[83]FINANCIAL INCENTIVES IN FOCUS: Small Forest Holding Incentives Financed by the European Agricultural Fund for Rural Development (EAFRD)

FINANCIAL INCENTIVES IN FOCUS: Small Forest Holding Incentives Financed by the European Agricultural Fund for Rural Development (EAFRD)

Historical background

The Ministry of Agriculture, Fisheries and Food (hereinafter, the MAPA) of Spain has implemented various incentives aimed at providing State aid to small forest holdings through its common agricultural policy strategic plan (PEPAC) which are financed by the European Agricultural Fund for Rural Development (EAFRD).

The legal basis of these incentives is the Regulation (EU) 2021/2115 which establishes the rules on support for strategic plans to be drawn up by Member States under the common agricultural policy.[84] In line with the investment requirements laid out by Article 73 of this Regulation, the MAPA has developed through their State aid plan for the period 2023-2027 four major incentives which aim to subsidise afforestation efforts through different forms of intervention.[85] However, these incentives are not aimed solely at small forest holdings, but they are directed generally towards all types of forests, both held privately and publicly. The four sub-initiatives which can be analysed more in depth are the following:

(1) Non-productive forestry investments in reforestation and agroforestry systems;
(2) Non-productive forestry investments in forest damage prevention;
(3) Non-productive forestry investments in forest damage restoration;
(4) Productive forestry investments

All of these incentives have the same major objectives, which are to: (a) contribute to climate change adaptation and mitigation, as well as promoting sustainable energy; (b) promote the

[82] *Ibid.*
[83] *Ibid.*
[84] Regulation (EU) 2021/2115 of the European Parliament and of the Council of 2 December 2021 establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulations (EU) No 1305/2013 and (EU) No 1307/2013, OJ L 435, 6.12.2021, pp. 1–186, http://data.europa.eu/eli/reg/2021/2115/oj.
[85] "Control of Rural Development measure for the period 2023-2027", Ministerio de Agricultura, Pesca, y Alimentación, accessed 20 November 2025.

sustainable development and efficient management of natural resources and reducing chemical dependency; (c) contribute to the halting and reversing of biodiversity loss.[86]

Furthermore, each of these incentives have their own specific aims as developed by the MAPA[87]:

(1) Carry out reforestation activities by planting forest cover, treatment of existing vegetation, site preparation, build the necessary infrastructure and implement its subsequent maintenance. Carry out agroforestry system actions through the planting of forest trees, the replacement of failed seedlings, and the protection of natural regeneration. Planting or improvement of pastures, planting of woody agricultural crops, improvement of pastures through clearing or burning, the creation and maintenance of infrastructure for livestock management and the preparation of projects and management plans;
(2) Carry out forestry work to prevent fires in forests, promote the construction and maintenance of road infrastructure and infrastructure for water conveyance and distribution. Implement fire prevention infrastructure for surveillance, communications, bases for firefighting resources and coordination centres. Investigate the causes of fire and carry out active forest fire prevention actions;
(3) Implement preliminary vegetation treatment and conditioning actions (clearing, tree felling, collection and disposal of debris), carry out erosion control actions and the reforestation of affected areas and the creation of associated infrastructure that is necessary to restore forest potential. Actions for grazing management and actions to improve and conserve biodiversity;
(4) Draft management plans and projects containing forestry actions to improve the economic value of forests, including afforestation and invest for the use, processing, transport and marketing of forest products (machinery, equipment, facilities) while building the auxiliary infrastructure necessary to achieve the objectives of an of the above actions.

Legal/strategic background

The main legal basis for these incentives is Regulation (EU) 2021/2115 which establishes the rules on support for strategic plans to be drawn up by Member States under the common agricultural policy and in particular its Article 73 which lays down the rules for Member State investments.[88] Article 73(4)(c) indicates that the maximum rates of support for afforestation, the establishment

[86] The full overview of each incentive can be found within the MAPA website: "Ayudas de Estado, 2023-2027", Ministerio de Agricultura, Pesca, y Alimentación, accessed 20 November 2025.
[87] Ministerio de Agricultura, Pesca, y Alimentación, "PEPAC 2023-2027: Needs and strategies for intervention with regard to Spanish forest policies: EAFRD Interventions", April 2023.
[88] Regulation (EU) 2021/2115 of the European Parliament and of the Council of 2 December 2021 establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulations (EU) No 1305/2013 and (EU) No 1307/2013, OJ L 435, 6.12.2021, pp. 1–186, http://data.europa.eu/eli/reg/2021/2115/oj.

and regeneration of agro-forestry systems, land consolidation in forestry and non-productive investments may be increased up to 100%.[89]

In Spain, the PEPAC as well as the EAFRD are governed by Royal Decree 1046/2022 which aims to identify and establish the functions of the governing bodies referred to in Regulation (EU) 2021/2115 as well as establishing mechanisms for coordinating financial management and procedures relating to interventions and measures financed through the EAFRD.[90]

Budget of the incentive

The funds allotted for each initiative within the period 2023 – 2027 are the following:

Initiative	Intervention number	Contributor	Total
Non-productive forestry investments in reforestation and agroforestry systems	6881.1	Public funds	€68,809,808.64
		EU funds	€45,717,883.51
Non-productive forestry investments in forest damage prevention	6881.2	Public funds	€456,262,882.09
		EU funds	€336,683,072.29
Non-productive forestry investments in forest damage restoration	6881.3	Public funds	€49,884,105.71
		EU funds	€34,354,113.60
Productive forestry investments	6883	Public funds	€115,559,086.17
		EU funds	€67,741,251.59
Total		EU and Public funds	€1,175,012,203.60

Source: Ministerio de Agricultura, Pesca, y Alimentación, "PEPAC 2023-2027: Needs and strategies for intervention with regard to Spanish forest policies: EAFRD Interventions", April 2023

Targeted beneficiaries

The targeted beneficiaries for each of the four initiatives contain various overlaps between each other. However, as each intervention seeks to operate within different realms of afforestation and support for different facets of forest management, there are nonetheless certain divergences which are important to indicate.

(1) Non-productive forestry investments in reforestation and agroforestry systems[91]
- Forest owners, as defined within the PEPAC definitions;[92]
- Public administrations when acting under legal authorisation on land that they do not own;
- Individual owners or their groupings, of exploitation rights, concessions or management titles that grant the capacity to carry out eligible actions;

[89] *Ibid.*, art. 73.
[90] Real Decreto 1046/2022, de 27 de diciembre, por el que se regula la gobernanza del Plan Estratégico de la Política Agrícola Común en España y de los fondos europeos agrícolas FEAGA y Feader.
[91] Initiative text: '6881.1 - Inversiones forestales no productivas en repoblación forestal y sistemas Agroforestales,' Ministerio de Agricultura, Pesca, y Alimentación, 23 January 2024.
[92] Forest owners are defined by the PEPAC as: "Natural or legal person, individual or collective, with or without legal personality, who is responsible for and manages the land and who is legally and financially responsible for it, either through title deeds or through duly accredited transfer of the land," See: *El Plan Estratégico de la PAC de España 2023 – 2027*, p. 3045.

- Farmers and other landowners, in the case of afforestation of agricultural land or the establishment and maintenance of agroforestry systems.

(2) Non-productive forestry investments in forest damage prevention[93]
- Forest owners, as defined within the PEPAC definitions;
- Public administrations when acting under legal authorisation on land that they do not own;
- Individual owners or their groupings, of exploitation rights, concessions or management titles that grant the capacity to carry out eligible actions

(3) Non-productive forestry investments in forest damage restoration[94]
- Forest owners, as defined within the PEPAC definitions;
- Public administrations when acting under legal authorisation on land that they do not own;
- Individual owners or their groupings, of exploitation rights, concessions or management titles that grant the capacity to carry out eligible actions

(4) Productive forestry investments[95]
- Public or private forest owners and their groupings
- Individual owners or their groupings, of exploitation rights, concessions or management titles that grant the capacity to carry out eligible actions;
- Companies engaged in forest exploitation, work and services, including self-employed persons;
- Primary processing companies for forest products

Effects and impacts of the incentive, including indicators and quantitative data

Despite the fact that these incentives have been in place since the publication of the new PEPAC in 2023, stakeholders within the MAPA indicated that it is not yet possible to provide measures of effects and impacts of these incentives due to the short amount of time that these have been in place. Furthermore, these stakeholders also indicated that it is not possible for them to provide information specifically related to the effects of these incentives on small forest holdings, as this is data that they simply do not possess. This lack of data is attributed to Spain's highly federalised system, as it is the autonomous communities of Spain who are the bodies responsible for implementing these measures. Moreover, the MAPA does not receive any information from the autonomous communities on the specific contexts nor qualitative effects which have impacted small forest holdings within their respective territories after the incentives have begun to take effect.[96]

Overall, there seems to be little communication being carried out within the Spanish context between the central MAPA and the various autonomous communities which receive the funding

[93] Initiative text: '6881.2 - Inversiones forestales prevención de daños forestales,' Ministerio de Agricultura, Pesca, y Alimentación, 12 September 2024.
[94] Initiative text: '6881.3 - Inversiones forestales no productivas en restauración de daños forestales,' Ministerio de Agricultura, Pesca, y Alimentación, 23 January 2024.
[95] Initiative text: '6883 - Inversiones forestales productivas,' Ministerio de Agricultura, Pesca, y Alimentación, 8 August 2023.
[96] Interview with the MAPA, 6 October 2025.

to implement these initiatives. Nonetheless, documents provided by the MAPA for each initiative contain prospective effects and impact which offers a general overview of the possible results facilitated by these incentives.

(1) Non-productive forestry investments in reforestation and agroforestry systems[97]

Expanding forest area on low-productivity agricultural land or deforested and sparsely covered forest land – the first of the main goals of this initiative – allows for the improvement of environmental conditions in the short to medium term and allows for economic returns through forest product markets in the long term. The environmental conditions which this initiative seeks to facilitate are greater erosion control, the formation of organic matter, as well as increasing wildlife habitats and biodiversity. These reforested areas also are aimed to function as continuous carbon-dioxide sinks while harvested timber can provide carbon storage and serve as a substitute for high-carbon-footprint materials. The second main goal of this initiative is the support and maintenance of agroforestry systems, which would allow improved ecosystem services such as carbon capture and storage, hydrological regulation, soil protection and biodiversity conservation. The initiative would allow the establishment of agroforestry systems by introduction forest trees into agricultural land or deforested and low-covered forest land. Livestock and agricultural use of existing forest vegetation would also be another possibility facilitated by this initiative.

(2) Non-productive forestry investments in forest damage prevention[98]

The main effect and impact that this initiative foresees is the reduction of forest surface area being burned by forest fires. On average, 13 000 hectares of forest burn annually in Spain while these fires are one of the main threats to the stability and conservation of Spanish woodlands. However, this initiative would also aim to reduce the damage which forests experience originating from other sources. Beyond fires, biotic agents and abiotic factors, which include erosion, extreme weather and avalanches, are further causes of damage suffered by forests. This initiative's main goals would then be to carry out preventative actions against damage caused by these elements. It anticipates synergy between different types of actions, which might be combined within a single project, and be grouped by categories or total public expenditure for forecasting and performance reporting.

(3) Non-productive forestry investments in forest damage restoration[99]

As with incentive (2), this incentive seeks to combat the effects and impacts of wildfires as well as biotic hydrological and erosive events which can cause significant damage to forests. However, as opposed to (2) which aims to prevent the negative effects caused by these elements, this incentive's main goal is to implement restoration measures which enable forests to recover their capacity to provide essential ecosystem advantages. The effects which are foreseen are thus

[97] Initiative text: '6881.1 - Inversiones forestales no productivas en repoblación forestal y sistemas Agroforestales,' Ministerio de Agricultura, Pesca, y Alimentación, 23 January 2024.
[98] Initiative text: '6881.2 - Inversiones forestales prevención de daños forestales,' Ministerio de Agricultura, Pesca, y Alimentación, 12 September 2024.
[99] Initiative text: '6881.3 - Inversiones forestales no productivas en restauración de daños forestales,' Ministerio de Agricultura, Pesca, y Alimentación, 23 January 2024.

restoring forests in order to allow their continued provision of carbon sequestration and storage, hydrological regulation soil protection and biodiversity conservation. Additionally, another impact which would be implied by this incentive is general reforestation as this is typically needed to repair and restore forests.

(4) Productive forestry investments[100]

Beyond assisting with meeting the EU and Spain's climate goals, the main effect that this incentive seeks to facilitate is the support for employment and economic activities in rural areas through forest utilisation. Activities such as mobilising timber, cork, resin and other non-wood forest products are specified by this initiative as drivers of sustainable forest bioeconomies which also support long-lived wood products as carbon sinks and assists in the use of renewable bioenergies. Secondary impacts attached to this initiative are the fostering of rural entrepreneurship, improving training and knowledge transfer in the bioeconomy as well as boosting investment and development in silviculture. Additionally, the initiative seeks to create a gender balance within forest operations by enhancing the support of these activities which are led by women. Moreover, beyond the harvesting of forest products, this initiative could help in the processing, mobilisation and marketing of these products which would both stimulate the bioeconomy while enabling the sustainable use of natural renewable resources. This would allow the flourishment of mountainous or climatically constrained regions which are typically facing depopulation and where the forest sector is vital for maintaining both employment and local enterprise.

Strengths and weaknesses of the incentive

As mentioned above, the MAPA was unable to provide specific quantitative and qualitative information regarding the manner in which these EAFR-funded incentives impact small forest holdings as well as the specific strengths and weaknesses that these imply.[101] However, the stakeholders from the MAPA were able to give a more generalised analysis on the strengths, and particularly, the weaknesses of the EAFR-funded incentives, not just from the 2023-2027 period, but from previous periods as well. Firstly, the stakeholders were clear in that these EAFRD initiatives are useful in helping small forest holders progress in their management of their land and in acquiring new skills and tools to carry out these forest management tasks.

However, the main weakness identified by the stakeholders is not attached to the initiatives analysed in this section, but to the investment focus which the autonomous communities tend to have when receiving these funds. The MAPA representatives noted that the autonomous communities typically use these funds and initiatives to invest into the public forests and co-finance the activities of their public administration in forestry matters, rather than investing the funds into initiatives which could be more focused on small forest holders. The MAPA noted that the use of funds for public lands rather than private lands is not a practice to be necessarily criticised. Yet, they stated that if there is a need to think about mobilising small forest owners to

[100] Initiative text: '6883 - Inversiones forestales productivas,' Ministerio de Agricultura, Pesca, y Alimentación, 8 August 2023.
[101] Interview with a representative of the MAPA, 6 October 2025.

strengthen the productive sector or improve forest management, and with that all the social, environmental and economic benefits that would follow, then it is rarely the case that EAFRD-funded initiatives possess that orientation.[102] Moreover, the MAPA representatives indicated that even if the autonomous communities utilise the subsidies towards private individuals and private land, the bulk of the money, which is intended to be utilised for productive purposes or the improvement of forest management, does not go there. Rather, most of the money goes towards actions such as fire prevention and management of water points, which are measures and incentives that do not serve to change the structural problems of forest management in general. The investment goes towards what could mitigate the urgent problems rather than towards activities which could change the entire context and transform the types of forest ownership structures and management which currently exist.[103]

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

The NGO Sèlvans has sought private sponsorship to maintain private forest reserves. Through the Compensanatura Initiative, individuals and organisations can work together to protect natural spaces equivalent in size to the square metres of land covered by their homes, offices, shops, and industrial warehouses. Agreements are then made with forest owners willing to preserve stands of high natural value if they get a payment for environmental services in the form of the purchase of logging rights, as they live on the income produced by the forest. To date, 10 forests have been conserved for between 10 and 25 years, 421,501 m² of high-value forest has been preserved, and EUR 31,157 has been allocated to nine forest properties[104].

According to a consulted forestry association, these examples – while relevant – are limited in scale, since such initiatives are not mainstream instruments and remain pilot or niche projects.

2.5. Innovative funding sources

An example of crowdfunding conservation initiatives is the 'Gratitud' project in the Pallars region of Catalonia. The Gratitud project[105] collects micro-donations and carbon offset contributions to create nature reserves through land stewardship agreements, some of which include forested areas. Importantly, the funds raised are not used for carbon sequestration but rather for habitat conservation, maintenance of dry-stone walls within the micro-reserve, and biodiversity monitoring. There have been 26 initiatives, 72,597 kg of CO2 offset, and €20,876 donated in 425 donations.

Funding through corporate social responsibility (CSR) initiatives seems to play an increasingly important role in funding of biodiversity and forestry relevant projects. Many of these projects

[102] *Ibid.*
[103] *Ibid.*
[104] More information at: https://selvans.ong/compensanatura/
[105] https://www.gratitudpallars.cat/estima-natura/

are associated with the Spanish Ministry for Ecological Transition and Demographic Challenge's creation of a Carbon Footprint Registry[106], established in 2014 by Royal Decree 163/2014. The Registry records the efforts of Spanish organisations and companies in monitoring, calculating, and reducing greenhouse gas emissions linked to their activities. It also allows them to offset part or all of their carbon footprint through forestry projects located within Spanish territory.

These projects generate both environmental and social benefits, including the sequestration of carbon dioxide from the atmosphere. Projects registered in the scheme are required to submit a reduction plan and must be assessed prior to registration, not only for evidence of a downward trend in emissions but also for compliance with ecological criteria. For example, the projects must be implemented on land that has not been forested since at least December 1989 or in areas affected by forest fires. Each project must cover a minimum of 1 hectare, and the trees must either reach a minimum canopy cover of 20% or a potential height of at least 3 metres at maturity. Moreover, the trees must remain in place for a minimum of 30 years, thereby excluding short-rotation forestry.

Payment for Ecosystem Services (PES) schemes are still relatively rare in Spain, and – as stated by a consulted forestry association – participation by SFHs is currently very limited due to low financial viability and high transaction costs. Similarly, another consulted association highlighted that this type of funding needs further development and broader public acceptance to facilitate progress in this area. While they are interested in engaging with such projects, they currently lack the necessary tools and market knowledge to do so effectively.

Nevertheless, there are some noteworthy and existing examples that illustrate how such schemes can work in practice.

One such initiative has been implemented in the municipality of Ansó-Fago in the Huesca Pyrenees. These towns, which contain extensive areas of well-preserved forest and pasture, are experiencing rural depopulation and declining economic returns from natural resources due to competition from products sourced in regions like Landes or Finland. In response, the municipality has chosen to monetise its environmental services to enhance the market value of its forests and regain competitiveness. The financial returns from these services are intended to support the reopening of a local biomass plant, thereby creating employment opportunities, promoting sustainable forest management, and addressing both depopulation and wildfire risks.

A further PES scheme to be noted is the previously referred project in the province of Gerona, Catalonia, aiming at enhancing biodiversity by conserving mature forest stands that have remained unmanaged for 50 to 100 years Forest owners receive payments in exchange for committing to allow these stands to develop naturally over a 30-year period. The programme is funded by both the provincial budget and private donations, with beneficiaries including private

[106] https://www.miteco.gob.es/es/cambio-climatico/temas/registro-huella/que_es_registro.html as seen in DG Environment, 3 billion additional trees by 2030 – Financing guide, 2024.

landowners and municipalities. The payments are designed to offset income losses, based on calculations from the approved forest management plan[107].

Another relevant example is the TROCO2 project[108], funded and delivered under INTERREG V-A Spain Portugal under the 2014-2020 Programme. The project calculated the carbon sequestration capacity of forests in Galicia and Northern Portugal and created a voluntary carbon market for the transport sector to offset emissions. This voluntary carbon market supported forestry management that boosts the forests' carbon sequestration capacity.

Finally, the LIFE Climark PROMACC project promoted multifunctional forest management for climate change mitigation and adaptation, through the design of a local market of 'climatic credits'. The project started on 1 October 2017 and ended on 30 September 2022, with a total eligible budget of EUR 1 194 916[109]. The pilot scheme of the LIFE Climark PROMACC project resulted in the Catalonian regional government permanently establishing the Catalan Climate Credit System[110].

2.6. Other funding sources

No other funding sources have been identified.

A consulted forestry association stated (as overall comment) that although several financial incentives exist, their effectiveness for SFHs is limited by structural, administrative, and economic barriers. Many schemes are tailored to larger or professionally managed forests, making it difficult for fragmented small owners to meet eligibility and documentation requirements. Complex procedures, co-financing obligations, and the need for technical plans often exceed the capacity and resources of smallholders. Low profitability, long investment horizons, and limited awareness of available programmes further discourage participation. Uneven implementation and differing eligibility rules across regions also create unequal access. As a result, uptake by small forest owners remains low. Without simplifying procedures, improving transparency, and creating direct access mechanisms, these incentives risk remaining on paper rather than fostering tangible progress in small-scale sustainable forest management.

3. Overview of the financial incentives

The table below provides an overview of the financial incentives as identified in this report.

[107] DG Environment, 3 billion additional trees by 2030 – Financing guide, 2024.
[108] More information at: https://troco2.eu/intercambio/index.php.
[109] See: https://webgate.ec.europa.eu/life/publicWebsite/project/LIFE16-CCM-ES-000065/forest-management-promotion-for-climate-change-mitigation-through-the-design-of-a-local-market-of-climatic-credits.
[110] See: https://creditsclimaticsforestals.cat/es/

Table 1 Overview of the financial incentives available to SFH in Spain

Financial incentive	Type of incentive	Types of activities funded	Total allocated budget	Timeline	Number of targeted beneficiaries
ERDF 2021–2027: Climate adaptation and disaster prevention (Specific Objective 2.4)	EU funding (ERDF and CAP)	Adaptive forest management, reforestation, river slope restoration, riparian restoration, flood prevention, fire defence infrastructure, firefighting equipment.	Part of EUR 23.4 billion ERDF total (not specified for 2.4 only)	2021-2027	N/A
ERDF 2021–2027: Biodiversity and green infrastructure (Specific Objective 2.7)	EU funding (ERDF and CAP)	Natura 2000 maintenance, restoration of species and habitats, reforestation, green infrastructure, biodiversity monitoring, carbon sink actions, pollution remediation, Natura 2000 connectivity.	Part of EUR 23.4 billion ERDF total (not specified for 2.7 only)	2021-2027	N/A
ERDF 2021–2027 Catalonia: Climate adaptation and disaster risk prevention (RSO2.4)	EU funding (ERDF and CAP)	Forest management for resilience, wildfire sectorisation, erosion control, river and soil adaptation, renewal of firefighting ground vehicles, flood forecasting systems.	N/A	2021-2027	N/A
CAP 6502.1 – Voluntary Forest Management Commitments	EU funding (ERDF and CAP)	Standing or fallen deadwood, ensuring stand stability, or activities related to game management may qualify.	N/A	2023-2027	N/A
CAP 6502.2 – Maintenance of Forest	EU funding (ERDF and CAP)	• Maintenance of forest plantations (e.g., clearing, pruning, watering, fencing). • Abandonment of agricultural use due to afforestation. • Maintenance of agroforestry systems.	N/A	2023-2027	N/A
CAP 6712 – Payments for Disadvantages from Mandatory Environmental Requirements	EU funding (ERDF and CAP)	Compensation for income loss due to environmental compliance	N/A	2023-2027	N/A
CAP 6881.1-6881.4 – Non-Productive Forestry	EU funding (ERDF and CAP)	Support for afforestation and agroforestry systems/per area in forest damage prevention/ in forest damage restoration/in forestry actions with environmental objectives	N/A	2023-2027	N/A
CAP 6883 – Productive Forestry Investments Capitalisation	EU funding (ERDF and CAP)	Management plans and productive forestry improvement projects. Forestry actions to improve the economic value of forests, including forestation. Investments for the use, transformation, mobilisation and marketing of forestry products (machinery and equipment, installations, etc.), Auxiliary infrastructures necessary to achieve the objectives of any of the above actions.	N/A	2023-2027	N/A

Financial incentive	Type of incentive	Types of activities funded	Total allocated budget	Timeline	Number of targeted beneficiaries
CAP 7165 – Environmental Cooperation	EU funding (ERDF and CAP)	Creation of groups and networks between producers, companies, researchers and other actors in the forestry sector, to develop projects and actions aimed at climate change adaptation or mitigation, efficient management of natural resources, and/or biodiversity conservation.	N/A	2023-2027	N/A
Multiregional ERDF Programme	EU funding (ERDF and CAP)	Nature conservation, climate change adaptation, disaster risk reduction, water management, biodiversity protection	N/A	2021–2027	N/A
ERDF Programme – Andalusia	EU funding (ERDF and CAP)	Resilience to climate risks, forest fire prevention, nature and water conservation	N/A	2021–2027	N/A
ERDF Programme – Castilla y León	EU funding (ERDF and CAP)	Risk protection, fire prevention, biodiversity conservation	N/A	2021–2027	N/A
ERDF Programme – Basque Country	EU funding (ERDF and CAP)	N/A	N/A	2021–2027	N/A
ERDF Programmes – Catalonia, Madrid, Galicia, Asturias	EU funding (ERDF and CAP)	Biodiversity protection and/or climate adaptation	N/A	2021–2027	N/A
Biodiversity Foundation Grants - call for grants for environmental improvement in agriculture and forestry and sustainable development in the Doñana area	MS funding (foundation)	Conservation of biodiversity, ecosystem restoration, adaptation to climate change, sustainable rural development, environmental innovation	EUR 11.5 million	2024	N/A
Biodiversity Foundation Grants - call for grants to promote forest bioeconomy	MS funding (foundation)	Transformative projects for the promotion of the bioeconomy linked to forestry and contributing to the ecological transition.	EUR 77 million	2023	N/A
We Act Against Climate Change – Direct grant to Bosques de Cantabria	MS funding (regional level)	Education and awareness-raising activities related to climate change and forests.	EUR 16 000	2024	1
Regional schemes in Cataluña, Galicia,	MS funding (regional level)	Forest management, afforestation, fire prevention	N/A	Ongoing	N/A

Financial incentive	Type of incentive	Types of activities funded	Total allocated budget	Timeline	Number of targeted beneficiaries
Navarra, Murcia, and La Rioja					
Forest Management Incentives based on Law 43/2003 on Forests	MS funding (state level)	Sustainable forest management, biodiversity conservation, carbon sequestration, soil and water protection, forest investment	N/A	Ongoing	N/A
Mature Forest Conservation	MS funding (local level)	Conservation of mature forests, integration of non-extraction clauses in management plans	N/A	Since 2007; ongoing	N/A
Annual Biodiversity Funding for NGOs from the City of Madrid	MS funding (local level)	Biodiversity conservation, NGO-led environmental initiatives, Natura 2000 protection	N/A	Annual calls	N/A
Forest Investment Support from the Government of Cantabria	MS funding (regional level)	Forest investments, native species promotion, fire prevention	N/A	Ongoing	N/A
Metropolitan Forest of Madrid	MS funding (local level)	Tree nursery development, urban forestry planting	N/A	Ongoing	N/A
Forest Property Centre 2025: Grants for promoting ecosystem services through sustainable forest management	MS funding (regional level)	Silvicultural biodiversity practices, retention of habitat trees, deadwood generation, compensation for forgone harvest, formalisation of 25-year reserves in mature/senescent stands.	EUR 730 000 Budget split equally between biodiversity silviculture (EUR 365 000) and reserve establishment (EUR 365 000)	2025	N/A
Catalonia – 2025 Grant for Restoration of Forest Damage (Private Land)	MS funding (regional level)	Clearing of damaged stands, removal and treatment of residues	EUR 175,438 Maximum total amount that can be awarded to a single beneficiary is EUR 50,000	2025	N/A
Castilla y León 2024: Grants for the restoration of damage to forest land caused by fires	MS funding (regional level)	Restoration planning, clearing, erosion control, reforestation, infrastructure repairs, and up to five years of maintenance expenses.	Maximum amount per application is EUR 500,000.	2024	N/A
Grant to promote the planting of species that	MS funding (regional level)	Site preparation, planting, plant protection and fencing, along with an additional five-year maintenance premium.	Maximum eligible amounts differ based on	2024	N/A

Financial incentive	Type of incentive	Types of activities funded	Total allocated budget	Timeline	Number of targeted beneficiaries
provide high-value forestry production in the territory of Castile and León.			species, planting density, and technique, with values reaching up to EUR 5,938 per hectare for Quercus species.		
Carbon Footprint Registry and CSR-linked Forestry Offsets	MS funding (national level)	Afforestation/reforestation for CO_2 sequestration, CSR-backed forest carbon offsetting	N/A	Since 2014; ongoing	N/A
PES Scheme in Ansó-Fago	MS funding (local level)	Forest conservation, biomass production, sustainable management	N/A	Ongoing	N/A
TROCO2 – Voluntary carbon market for the transport sector	Other funding	Activities enhancing forest carbon sequestration capacity; development of voluntary carbon market tools	N/A	2014-2020	N/A
LIFE Climark PROMACC	Other funding	Multifunctional forest management actions contributing to carbon sequestration and climate adaptation	EUR 1 194 916	1 October 2017 – 30 September 2022	N/A

4. Strategic objectives vs financial incentives

4.1 Strategic objectives

The strategic objectives set out in the EU funded and Member State funded instruments for forestry converge around several core themes. EU instruments such as ERDF and the CAP Strategic Plan aim to promote climate change mitigation and adaptation, disaster and wildfire risk reduction, biodiversity conservation and Natura 2000 management, restoration of degraded or burned forests, development of the forest bioeconomy and rural jobs, and sustainable forest management in line with the EU Forest Strategy.

Within the Spanish context, the legal basis of the Spanish Forestry Plan (PFE) is found within Article 30(1) of Law 42/2003, which is described within as an instrument for long-term planning of Spanish forestry policy and that which will develop the Spanish Forestry Strategy (EFE).[111] The first EFE was approved in 1999 which gave birth to the PFE 2002-2032 in July 2002. Article 30(2) states that the PFE will be reviewed every ten years or in a shorter period if circumstances demand it.

The most recent iteration of the PFE is the document published for the 2022-2032 period, which was approved by the Spanish congress on 20 December 2022.[112] This plan contains five major strategic axes, each of which possess a number of lines of action. The axes and their respective lines of action are the following:

- Axis I – Conservation and enhancement of natural heritage, biodiversity and connectivity
    - I-1 – Improvement of the conservation status of forest ecosystems. Prevention, control and eradication of invasive alien species in the forest environment
    - I-2 – Ecological restoration and green infrastructure. Actions in public domains. Restoration of riverbanks
    - I-3 – Conservation and sustainable use of forest genetic resources

- Axis II – Prevention and adaptation of forests to climate change and other risks
    - II-1 – Prevention and adaptation of forest ecosystems to climate change forecasts
    - II-2 – Combating desertification in the forestry sector. Soil conservation. Forest restoration and improvement of forest ecosystems
    - II-3 – Cooperation and coordination in forest fire management
    - II-4 – Forest health: phytosanitary control, assessment and monitoring of the health status of forest ecosystems

[111] Ley 43/2003, de 21 de noviembre, de Montes.
[112] *Plan Forestal Español 2022-2032*, Ministerio para la Transición Ecológica y el Reto Demográfico, December 2022.

- Axis III – Forest bioeconomy. Socio-economic development and diversification of the forestry sector
    - III-1 – Revitalisation of productive activity and improvement of basic forest infrastructure for the mobilisation of timber resources
    - III-2 – Strategy for the sustainable use and development of forest biomass for energy purposes
    - III-3 – Diversification of forest production and promotion of the sustainable use of non-timber forest resources and their promotion in the market
    - III-4 – Socio-economic revival of the Spanish forestry sector (green economy and employment): structuring the business fabric. Integration of the forest and forestry industry value chain
    - III-5 – Promotion of silvopastoralism and transhumance.
    - III-6 – Tourist use of the forests.

- Axis IV – Development and improvement of forestry knowledge and culture
    - IV-1 – Forestry research: development, innovation, technology transfer and entrepreneurship. Digitalisation
    - IV-2 – Forestry education, training and capacity building
    - IV-3 – Development of a forestry outreach and communication strategy

- Axis V – Forest governance model: regulatory, administrative and instrument framework of Spanish forestry policy
    - V-1 – Legal framework: legislative initiatives and regulatory development measures
    - V-2 – Administrative framework for coordination, cooperation and sectoral participation
    - V-3 – Economic framework
    - V-4 – Forestry information: cartography, inventories and forestry statistics
    - V-5 – Development of sustainable forest planning, management and administration. Promotion of forest certification
    - V-6 – Defence, legal certainty and improvement of knowledge of public forest land and other forest assets. Revitalisation of private forest ownerships
    - V-7 – International forest policy and development cooperation
    - V-8 – Iberian and Macaronesian framework for cooperation with Portugal
    - V-9 – Control of the legality of timber traded in Spain

When measured against these objectives, the four incentives in focus broadly align with these policy goals. However, the alignment remains uneven and rather unclear from the specific perspective of small forest holdings. These alignments are further explored in the sections below.

4.2 Alignment of the selected financial incentives with the strategic objectives: Galicia, Subsidies of the Rural Department for Joint Forest Management

The Galician joint forest management subsidies are the clearest example of strategic and financial coherence for SFH. Their explicit purpose is to tackle ownership fragmentation, land abandonment and lack of planning by supporting group formation, joint management and long-term sustainable use. They contribute directly to climate adaptation and fire prevention, biodiversity and rural revitalisation objectives, while tailoring funding and technical support to the realities of small and scattered SFHs. This initiative therefore aligns closely with various of the axes and lines of action found within the PFE 2022-2023. Firstly, the joint forest management program aligns with Axis II which aims to strengthen the prevention and adaptation of forests to climate change and other risks. Concretely, two lines of action within this axis are most relevant: II-3 on cooperation and coordination in forest fire management and II-4 on forest health: phytosanitary control, assessment and monitoring of the health status of forest ecosystems. Elements of line of action II-3 aim to strengthen knowledge of technical fire and its application as a land management tool, reconcile interests and improve accessibility to forests in order to optimise forest fire management.[113] The joint forest management initiative promotes workshops while facilitating mediums of communication between SFH to achieve greater knowledge and capacity building in forest care and fire management. Likewise, line of action II-4 seeks to maintain continuous monitoring and control of the health status of forest ecosystems and improve the capacity for monitoring, identification and control of health problems – objectives which are closely aligned with the activities found within the scope of the joint forest management initiative.

Moreover, this initiative is closely aligned with Axis IV of the PFE which seeks the further development and improvement for forestry knowledge and culture. Line of action IV-2 within the framework of this axis develops forestry outreach and communication strategies. This is achieved by promoting forestry education and promoting forestry training and capacity building while encouraging continuous learning among stakeholders in the field, notably small forest owners.[114] The aims and methods of this line of action compliment the capacity building element of the joint forest management initiative thoroughly.

The final PFE axis which this initiative compliments well with is Axis V on forest governance models and the regulatory, administrative and instrument framework of Spanish forestry policy. The most relevant line of action within this axis is V-6 dealing with the revitalisation of private forest ownerships. This axis and line of action broadly apply to all the incentives analysed within this report, as the line of action V-6 intends to revitalise private forest ownership by promoting initiatives to consolidate or group together private forest lands.[115] This latter goal of grouping

[113] *Plan Forestal Español 2022-2032*, Ministerio para la Transición Ecológica y el Reto Demográfico, December 2022, pp. 24-25.
[114] *Ibid.*, p. 44.
[115] *Ibid.*, p. 58.

together these SFH possesses a direct link with the goals of the joint forest management initiative implemented by the *Xunta* of Galicia, as it is the main activity of the initiative itself.

4.3 Alignment of the selected financial incentives with the strategic objectives: Galicia, Subsidies of XERA for wood construction

The XERA subsidies for wood construction in Galicia address another strand of the strategic agenda, namely the development of a low carbon, circular bioeconomy based on locally sourced wood products. For SFH, the funding is potentially important, since joint forest management groups and other small owners can sell to a local market that values traceable, high-quality wood under the *Pino de Galicia* label and the *Fortra* traceability system. This incentive therefore aligns within various of the axes and lines of actions found within the PFE. Firstly, the economic nature of this incentive allows it to align with Axis III on the socio-economic development and diversification of the forestry sector and the development of the forest bioeconomy in Spain. Concretely, line of action III-1 which seeks to revitalise the productive activity and improvement of basic forest infrastructure for the mobilisation of timber resources. The main goal of this line of action is to promote the sustainable use of timber resources by encouraging their mobilisation and transformation, expanding their importance in the economic context at local, regional and national levels to contribute to the bioeconomy and particularly demographic challenges in rural areas.[116] By encouraging the development of the local Galician industry and marking the wood sourced through this initiative with the *Pino de Galicia* label, the XERA subsidies for wood construction align very well with the goals of both Axis III and line of action III-1. Line of action III-4, also within Axis III of the PFE, pursues the socio-economic revival of the Spanish forestry sector through structuring business fabrics and integrating the forest and forestry industry value chain. The main drivers of this line of action are the promotion of the recovery of the forestry sector by supporting public-private partnership initiatives that seek to improve its business structure and strengthen the forest-industry value chain. This initiative is also closely aligned with this line of action as the subsidies seek to create partnerships between small forest owners as well as various actors active within the Galician wood building industry and stakeholders such as architects and construction firms. The Galician government is the main public actor which is pushing for these activities and creating the links between the various actors involved.

Similarly to the above joint forest management subsidy also promoted by the *Xunta* of Galicia, Axis IV on the development and improvement of forestry knowledge and culture aligns with this wood construction initiative. Specifically, it is line of action IV-2's goals on promoting forestry education and encouraging its incorporation into formal education and the fostering of forestry training and skills development, as well as the continuous learning amongst stakeholders which align sharply with the activities and goals of this initiative.[117] The *Xunta* stressed the importance of training, educating and developing the skills of small forest holders in harvesting and working

[116] *Ibid*., p. 31.
[117] *Ibid*., p. 44.

with wood while also promoting workshops which have culminated into a university master's degree in wood building. Finally, the PFE's Axis V and its line of actions V-6 and V-9 are the last of Spain's forestry objectives which closely align with this initiative. V-6 as previously explored, aims to revitalise private forest ownerships through initiatives to consolidate or group together private forest lands.[118] Furthermore, V-9 seeks to control the legality of timber marketed in Spain, particularly by promoting and coordinating the development of regional control programmes within autonomous communities as a tool for transparency and standardisation of procedures.[119] This is directly in line with the *Pino de Galicia* label created through this initiative as well as the initiative's synergy with the *Fortra* tracing tool.

4.4 Alignment of the selected financial incentives with the strategic objectives: Castilla y León grants for forest restoration

Castilla y León's long standing forest restoration initiative matches closely with the EU and national objectives of restoring forest potential after damage, enhancing carbon sequestration, and building a forest culture that contributes to rural development. Over three decades, the programme has financed planting, maintenance and compensatory premiums on more than 200 000 hectares, with an estimated 29 million tonnes of carbon dioxide absorbed and a significant diversification into wood and non wood products such as mushrooms, nuts and chestnuts. For small forest holdings, the scheme has been accessible through individual applications, joint groupings and forestry associations, and the design has actively prioritised grouped applicants. However, current financial conditions reduce its attractiveness for SFH: the elimination of the compensatory premium, competition from more lucrative land uses such as photovoltaics, and static budgets mean that the relative return on forest restoration has declined, with annual afforestation falling sharply compared with past decades.

Nonetheless, despite this decline in participants within this incentive, the fact that it has been continuously in place for thirty years has resulted in major observable benefits and impacts as well as alignments with many of Spain's forest goals within the PFE. First, unlike the previous two Galician initiatives, this initiative aligns strongly with Axis I on the conservation and enhancement of natural heritage, biodiversity and connectivity. Line of action I-1 improves the conservation status of forest ecosystems by encouraging administrative collaboration and technical coordination for the promotion of sustainable forest management and facilitating the exchange of information and results obtained in the development of good practice guidelines at a regional level.[120] This incentive has achieved a wide variety of methods for soil preparation, planting and species selection as well as the continued evaluation of the sustainability of plant sources throughout the entire region of Castilla y León, aligning closely with the goals of line of action I-1. This directly leads to line of action I-3 which aims to continue and improve lines of work on

[118] *Ibid.*, p. 58.
[119] *Ibid.*, p. 64.
[120] *Ibid.*, p. 15.

genetic resources and incorporation the principles of their conservation and sustainable use into forest management.[121]

Axis II on the prevention and adaptation of forests to climate change and other risks is also strongly aligned with this initiative. Line of action II-2 seeks the prevention and adaptation of forests to climate change and other risks through two concrete methods: strengthening the role of forests and the forestry sector in mitigating climate change through actions to increase carbon sequestration and improving and strengthening knowledge of the consequences of climate change on forest ecosystems and species.[122] The interviewed representatives of the *Junta* noted the strong impact that this initiative has had on carbon-dioxide absorption in Castilla y León within the past thirty years as well as the knowledge-building that this initiative has contributed towards for stakeholders and small forest holders in particular. Also relevant is Axis III on the socio-economic development and diversification of the forestry sector, particularly line of action III-3 which aims this economic development through the diversification and use of sustainable non-timber forest resources.[123] This initiative achieves these goals developing industries in parallel such as the harvesting of chestnuts, mushrooms and pine nuts.

Axis IV on the development and improvement of forestry knowledge and culture is another element of the PFE which aligns very strongly with this initiative. The interviewed stakeholders noted that one of the main strengths of this initiative has been the creation of a forest culture in Castilla y Leó which was previously nonexistent. It has succeeded in shifting the consciousness of people in this region and small forest holders from agricultural exploitation towards forest growth and management. Of specific relevance are lines of action IV-1 and IV-2. The former aims to promote forestry research, development and innovation through the identification of priory areas of knowledge that enable the development of applied forestry research and the facilitation of scientific and technical bases for a multifunctional forest management system.[124] The region of Castilla y León has developed a wide variety of methods for soil preparation, the planting and selection of species and facilitated access through the creation of an online registry on techniques and knowledge, strongly aligning with this line of action. Additionally, line of action IV-2 seeks forestry education, training and capacity building which this initiative aids through these knowledge-sharing structures, strategies and capabilities developed throughout the past thirty years. [125]

Finally, as with the rest of the initiatives analysed within this project, Axis V aligns with the grants for forest restoration provided by Castilla y León through its line of action V-6 which aims to revitalise private forest ownerships.

[121] *Ibid.*, p. 18.
[122] *Ibid.*, p. 20.
[123] *Ibid.*, p. 35.
[124] *Ibid.*, p. 42.
[125] *Ibid.*, p. 44.

4.5 Alignment of the selected financial incentives with the strategic objectives: Small Forest Holding Incentives Financed by the European Agricultural Fund for Rural Development (EAFRD)

Finally, the EAFRD financed incentives operationalise key EU forestry objectives on afforestation, damage prevention and restoration, and productive investments. They are formally open to small owners and their associations. In theory, this creates a strong financial framework for SFHs to engage in afforestation, risk reduction and value adding activities. In practice, stakeholders report that many autonomous communities channel a substantial part of these funds to public forests and to urgent tasks such as fire prevention and water point management, rather than to structural support for small private owners. Moreover, the national ministry does not receive detailed information on SFH participation or on qualitative impacts, which makes it hard to assess whether small holdings are actually using these schemes to overcome barriers and enhance their abilities to engage in forest management within their lands. However, the intended impact of these schemes can be cross-referenced with the objectives within the PFE to verify alignment. The four specific incentives were the following: (1) non-productive forestry investments in reforestation and agroforestry systems; (2) non-productive forestry investments in forest damage prevention; (3) non-productive forestry investments in forest damage restoration; (4) productive forestry investments.

Incentive (1) on non-productive forestry investments in reforestation and agroforestry systems focuses on promoting greater erosion control, the formation of organic matter as well as increasing wildlife habitats and biodiversity. It also improves certain elements of ecosystem sustainability such as carbon capture and storage, soil protection and biodiversity conservation. The objectives of this initiative align well with both Axis I and Axis II of the PFE. Line of action I-2 within the framework of Axis I aims to carry out ecological restoration through actions in public domains as well as the restoration of riverbanks. The PFE specifies that this can be carried out partly by coordinating and aligning goals and actions between central and regional authorities for the restoration of forest habitats with the consequent increase in forested areas as well as the defense of public forests, livestock and water resources.[126] Within the scope of Axis II both lines of action II-1 and II-2 can be cited as aligning well with this incentive. II-1 aims to implement the prevention and adaptation of forest ecosystems to climate change forecasts, particularly by strengthening the role of forests through actions to increase carbon sequestration in forest and agroforestry systems while aiming to increasing wooded areas and promoting sustainable forest management.[127] These aims align strongly with incentive (1), in particular its focus on investing in agroforestry systems and the continuous creation of carbon-dioxide sinks and carbon storage mechanisms. Furthermore, line of action II-2 combats desertification in the forestry sector as well as encouraging soil conservation and forest restoration through the planning and implementation of actions that imply applying land use planning criteria and enhancing synergies

[126] *Ibid.*, p. 17.
[127] *Ibid.*, p. 20.

with other ecosystem services.[128] Incentive (1)'s focus on erosion control, the formation of organic matter, as well as increasing wildlife biodiversity also have a robust alignment with the goals of this line of action and Axis II overall.

Incentive (2) on non-productive forestry investment in forest damage prevention contains various elements. Firstly, its main objective is to reduce the surface area of forests which are affected by forest fires. However, beyond the fires, its secondary goal is to mitigate biotic agents and abiotic factors, such as erosion, extreme weather and avalanches. As with incentive (1) above, this incentive's main goals align with the strategies and plans found within Axis I and Axis II of the PFE. However, within the former Axis, it is line of action I-1 which aligns best. This line of action improves the conservation status of forest ecosystems and prevents, controls and eradicates invasive alien species from the forest environment. The PFE indicates that this can be implemented through expanding information on the conservation status of forest habitats and species dependent on forest management and agroforestry systems, in particular the identification and management of the evolution of the spread of invasive alien forest species, their impact, control and possible eradication.[129] This is relatively aligned with incentive (2) and its goals of mitigating biotic agents as well as abiotic threats to forests. More aligned with this initiative though, is Axis II and concretely lines of action II-3 and II-4. Line of action II-3 is very much in alignment with this initiative as it deals with cooperation and coordination in forest management through a variety of ways. Firstly, it seeks to strengthen the capabilities, technological resources and safety of forest fire prevention while promoting regional interoperability. Secondly, it seeks to strengthen knowledge of technical firefighting as well as consolidating models for collecting statistical data on fires and improving accessibility to forests in order to optimise forest fire management.[130] These are very well aligned with the initiative's goal of primarily reduction the damage caused to forests by fires and anticipating synergies between different actions and projects, with additional goals of improving forecasting and performance reporting in these tasks. Finally, line of action II-4 focuses on forest health, such as the phytosanitary control, assessment and monitoring of the health status for forest ecosystems. The key aspects of this line of action that most align with the incentive are the preventative approaches which aim to improve forest health by promoting sustainable forest management as well as the continuous monitoring and control of the health status of the forest ecosystem as well as improving the capacity for surveillance, identification and control of forest health problems, including paying attention to priority and emerging pests.[131]

Incentive (3) is directly related to incentive (2) as this also seeks to combat the effects and impacts of forest fires as well as biotic and abiotic factors that can cause significant damage to forests. Therefore, the objectives within the PFE analysed within incentive (2) above are also applicable to incentive (3). However, the main focus of incentive (3) is the implementation of

[128] *Ibid.*, p. 23.
[129] *Ibid.*, p. 15.
[130] *Ibid., p. 25.*
[131] *Ibid.*, p. 29.

restoration measures which enable forests to recover their capacity to provide essential ecosystem advantages. The additional measure stemming from the PFE would therefore be Axis I on conservation and concretely I-2 which carries out ecological restoration and green infrastructure. This line of action seeks to create greater collaboration between the central national authorities with the regional autonomous communities to continue to defend the integrity of forest, livestock and water resources as well as their contributions to biodiversity and connectivity.[132]

The final incentive (4) focuses on productive forestry investments. This incentive seeks to promote employment and economic activities through forest utilisation within rural areas and mobilising non-wood forest products as well as timber, cork and resin. In addition, it supports long-lived wood products as carbon sinks and assist in the use of renewal bioenergies. Another key focus of this incentive is the training and knowledge transfer of the bioeconomy and the fostering of rural entrepreneurship as well as boosting investment and development in silviculture. Finally, the initiative aims to help in the processing, mobilising and marketing of these bioeconomic products. This incentive is thus heavily aligned with the PFE goals found within Axis III on the forest bioeconomy and socio-economic development of the forestry sector. The first line of action which aligns with this incentive is III-2 which develops strategies for the sustainable use and development of forest biomass for energy purposes. This is carried out by improving and expanding knowledge of forest biomass as an energy resource and promote its sustainable use, favouring supply and consumption with short supply chains as well as improving traceability and digitising processes and information. Incentive (4) and its focus on training and knowledge transfer of bioeconomic activity as well as the use of renewal bioenergies does indeed align well with this line of action. Furthermore, line of action III-3 on the diversification of forest production and the promotion of the sustainable use of non-timber forest resources is another line which has a high degree of alignment with the incentive. This specific line improves information and statistics on non-timber forest products through digitisation and promotes their sustainable used, closely aligning with the mobilising and marketing goals of incentive (4).[133] Moreover, another closely aligned line of action is III-4 on socio-economic revival of the Spanish forestry sector which seeks to structure business fabric and integrate forest and forestry industry value chains. The line of action does so by promoting the reactivation of the forestry sector through public-private partnerships and seeking to improve business structures. Additionally, it also promotes the role of active foresters. The elements seeking to stimulate public-private partnerships is strongly aligned with initiative (4) in particular the overlapping objectives of aiming to improve business structures. Finally, the last aligning line of action with this incentive is III-5 which seeks to promote silvopastoralism and transhumance. This line of actions promotes extensive livestock farming within the forests themselves and as a form of forestry use as well as encouraging the preservation of traditional transhumance. Line of action III-5 and its focus on

[132] *Ibid.*, p. 17.
[133] *Ibid.*, p. 35.

silovpastoralism strongly aligns with the objectives of initiative (4), although the transhumance element does not have much of a shared relationship and goal orientation with this initiative.

Overall, the objectives and funding architecture are broadly coherent on paper, but from a SFH perspective the picture is mixed. Galicia's joint forest management incentive directly targets structural constraints of SFH and appears to perform well. A long-term restoration programme in Castilla y León has generated impressive environmental gains but is now less competitive for small owners. Demand side support for wood construction and national EAFRD forestry interventions align with bioeconomy and climate objectives, yet their concrete contribution to SFH income and management is not well evidenced.

4.6 Summary and knowledge gaps

The four financial incentives analyzed – Galicia's joint forest management subsidy and wood construction subsidy, Castilla y León's forest restoration program, and national forestry measures co-funded by the EAFRD – demonstrate both strengths and weaknesses in supporting small forest holdings (SFHs). All four instruments broadly align with Spain's strategic forest objectives (PFE 2022–2032) and EU forestry goals on climate mitigation, biodiversity, and rural development. However, limited SFH targeting, insufficient monitoring, and weak coordination make it difficult to gauge their true impact on smallholders.

Galicia – Joint Forest Management: Designed to combat land fragmentation and abandonment, this program helps small owners form collective management groups. It has established over 24 groups managing around 5,000 hectares (involving around 1,800 owners). By pooling resources and professionalising practices, the scheme improves wildfire prevention and biodiversity while revitalising rural areas. Its designed approach to SFHs exemplifies strong policy alignment, though scaling up beyond the initial NextGen EU-funded phase remains a challenge.

Galicia – Wood Construction: This market-driven subsidy promotes the use of local timber in construction, creating demand for certified Galician wood (e.g. *Pino de Galicia* label) and linking SFHs to regional value chains. Smallholders can benefit by supplying quality wood to subsidised projects, and the program invests in training to build their capacity. Aligned with PFE's bioeconomy and knowledge objectives, it supports long-lived wood products for carbon storage.

Castilla y León – Forest Restoration: This long-running afforestation scheme (active since 1993) has planted and restored over 200 000 hectares, contributing significantly to carbon sequestration and introducing diverse species. It is accessible to individual and grouped smallholders, with group applications prioritized to encourage collective action. The program's consistency has fostered a stronger forest culture and aligns with national/EU goals to restore forests and enhance climate resilience. However, its attractiveness for SFHs has declined: the removal of maintenance premiums, static budgets, and competition from lucrative land uses (e.g. solar farms) have sharply reduced new participation. Updating incentive levels and economic returns is needed to re-engage small owners.

National EAFRD-Funded Measures: Spain's rural development plan offers four forestry interventions – afforestation, preventive silviculture, post-damage restoration, and productive investments – reflecting EU Forest Strategy priorities (expanding forests, protecting ecosystem health, and boosting the forest bioeconomy). In theory these funds are open to small private owners, but in practice SFH uptake is not well known due to the lack of data. Many autonomous regions direct a large share of funding to public forests or urgent works (fire breaks, pest control), and complex application procedures with co-funding requirements deter fragmented smallholders. There is also no national tracking of what portion of these aids reaches SFHs.

Across all incentives, gaps in monitoring, data disaggregation, and coordination hinder effective evaluation. Communication between national and regional authorities is limited, leading to inconsistent data collection and implementation. Some schemes lack basic outcome indicators. This opacity in reporting obscures which approaches work for smallholders and impedes adjustments. It also poses a governance issue: without clear information flows, Spain cannot fully ensure that SFH-focused support contributes to overarching climate and biodiversity targets on private lands. The PFE's emphasis on improved forestry knowledge, coordination, and private owner engagement (Axes IV and V) underscores the need to address these gaps.

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