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Financial incentives applicable to Small Forest Holdings and their impacts

Country Fact Sheet
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Executive Summary

In Hungary, during the period 2014-2020, the Rural Development Programme (*Vidékfejlesztési Program* – the VP) supported knowledge transfer and innovation, the balanced development of rural areas, and sustainable farming in the agricultural sector (including forestry). Support for forestry activities had particularly focused on forest plantations and the establishment of industrial tree plantations. This support encompassed the planting process (e.g. land preparation and planting) and the care of planted seedlings, while providing farmers with income support (in the form of compensation) for up to 12 years. Additional support was available under the VP, for instance, for establishing a forest edge, planting rare species or, where justified, constructing fences to protect afforestation. In all cases, afforestation has to be subject to a professional planting plan based on a site survey. Afforestation tenders continue under the Common Agricultural Policy (CAP) 2023-2027. The CAP Strategic Plan (CAP ST) allocates three times the funding of the previous budget period, totalling approximately HUF 310 billion, to preserve, increase, and improve the quality of forests. The aim is to elevate the proportion of the country's area covered by forest shrubs and tree species from 25.4% to 27% by 2030.

Main subsidies under the CAP 2023-2027 are the support for afforestation, Natura 2000 compensation for **forests** where forests under Natura 2000 protection and forests under nature **protection** can be subsidised; the subsidy for the restoration of forest potential following abiotic or biotic damage, or the support for the nurturing of young forests.

The annual implementation reports of the VP contain a reference to the impacts of forestry subsidies. The VP's 4th priority was the restoration, preservation, and improvement of the state of ecosystems associated with agriculture and forestry. Under this priority, calls for proposals were issued concerning afforestation, the creation of agroforestry systems, investments aimed at preventing damage to forestry potential, increasing the resilience and environmental value of forest ecosystems, forest-environmental payments, the preservation of forest genetic resources, and the development of forest genetic resources.

According to the annual reports of the VP, due to the measures of the 4th priority, the proportion of forests or areas covered with forests continued to increase.[1]

Among the operational programmes funded from the ERDF, the JTF or the Cohesion Fund, the Environmental and Energy Efficiency Operative Programme (KEHOP Plusz) has the highest potential relevance for SFH as it addresses the Policy Objective of Cohesion Policy "Greener Europe". However, this Programme focuses primarily on the less developed regions of the

[1] https://archive.palyazat.gov.hu/ves-vgrehajtsi-jelentsek-1, https://archive.palyazat.gov.hu/2023-vi-ves-vgrehajtsi-jelents#

country and on state-owned land. Therefore, Cohesion Policy funding, while theoretically pertinent, has marginal usability for SFH.

1. Financial incentives based on EU funding

1.1. The European Regional Development Fund

The Széchenyi Plan Plusz covers the operative programmes launched for years 2021-2027 in Hungary. The funds that finance the Széchenyi Plan Plusz are the EU Cohesion Fund, the ERDF and the JTF.[2] The main operational programmes relevant to forestry are the KEHOP Plusz, the GINOP Plusz and the TOP Plusz.

The Environmental and Energy Efficiency Operational Programme (KEHOP Plus)

The total budget for KEHOP Plus is EUR 4,3128 billion. Of this, 85% comes from EU funding via the Cohesion Fund (CF), the European Regional Development Fund (ERDF) and the Just Transition Fund. The remaining 15% comes from the Hungarian budget.[3]

KEHOP Plusz provides support to tackle problems caused by the effects of climate change, such as flooding, inland water problems, droughts and overuse of natural resources. It covers the second of the policy objectives set by the European Union - Greener Europe - through five priorities. It aims to reduce pollution and overuse of natural resources, protect biodiversity and promote sustainability. A specific objective is to enhance the protection and conservation of nature, biodiversity and green infrastructure, including in urban areas, and to reduce all forms of pollution (ERDF).[4]

For its third priority (Environmental protection and nature conservation), the KEHOP Plus dedicates EUR 109,872,621 from ERDF. This priority covers different types of measures that involve creating the ecological and infrastructural conditions necessary for the conservation and management of Natura 2000 sites and green infrastructure. The measures aim to establish the ecological and technical conditions essential for the preservation, healthy functioning and maintenance of the natural ecosystems - wetlands, aquatic communities, grasslands and woodlands - of protected natural areas and Natura 2000 sites, to improve the status and management of Natura 2000 sites and protected natural areas, and to conserve in situ/ex situ the biodiversity components (species, habitats) thereof.

Within the amount for the 3rd priority, the programme allocates EUR 91,832,275 for the protection, restoration, and sustainable use of Natura 2000 sites and EUR 3,701,118 for the conservation of nature and biodiversity, natural heritage, and blue and green infrastructure. These funds are available for investments in less developed regions of Hungary.

In contrast to the measures for green infrastructure in the VP (2014-2022) and the CAP SP, the measures listed in the KEHOP Plus typically target state-owned land, nature conservation areas and rural properties. The KEHOP Plus measures are individual investments carried out by

[2] https://www.palyazat.gov.hu/programok/szechenyi-terv-plusz (29.05.2025)
[3] https://www.palyazat.gov.hu/programok/szechenyi-terv-plusz/kehop-plusz
[4] https://archive.palyazat.gov.hu/download.php?objectId=1096839

public actors, whereas similar investments by private actors and support for regular land management are provided under the CAP SP (or earlier under the VP).

The Economic Development and Innovation Operational Programme Plus (GINOP Plusz)[5]

The total budget for GINOP Plus is EUR 6,13 billion. Of this, 80,9% comes from EU funding via the European Regional Development Fund (ERDF) and the European Social Fund Plus. The remaining 19,1% comes from the Hungarian budget.[6]

This programme spans the period 2021-2027 and aims to enhance the competitiveness of the national economy. In addition, by allocating 65 % of the resources to the four least developed regions, the priority goal of the programme is also to support territorial cohesion. Forestry specific objectives are not set by this programme; however, certain stakeholders of the forestry sector may benefit from the funds under this programme as well. For example, the Union of Forestry and Timber Workers has won HUF 149.78 million in GINOP PLUSZ for "Support for capacity building of social partners", aimed at strengthening the capacity, development and cooperation of organisations.[7]

Forest managers may also apply for the GINOP Plus 2.1.3-24 call for proposals to support SMEs' innovation capacity. The budget for this subsidy is EUR 187,5 million (HUF 75 000 000 000). Forest managers may apply for innovation activities. Micro and small enterprises could submit applications from 29 October 2024 to 22 April 2025. The applicant must meet the following criteria: they must have at least one business year that has been closed with an annual financial statement; they must have an average statistical headcount of at least three people; they must use double-entry bookkeeping; and their registered office must be in Hungary. Eligible activities include business process innovations (production, manufacturing, marketing, sales), organisational innovations (administrative, management development), and logistics innovations. The eligible amount ranged from HUF 20 million to HUF 50 million (EUR 50,000 – 125,000) — the project required at least a 30% own contribution in addition to the grant.[8]

Territorial and Settlement Development Operational Programme Plus (TOP PLUSZ)[9]

The aim of the programme is to promote integrated and inclusive local social, economic, and environmental development, as well as cultural heritage, natural heritage, and sustainable tourism and security outside urban areas (ERDF). One of the measures included in the TOP Plus is support for the implementation of active and ecotourism developments of national importance. It aims to provide support for the development of national importance active tourism networks, including multi-county networks, as well as for the implementation of

[5] https://archive.palyazat.gov.hu/download.php?objectId=1096833
[6] https://www.palyazat.gov.hu/programok/szechenyi-terv-plusz/ginop-plusz
[7] https://www.efdsz.hu
[8] https://www.palyazat.gov.hu/programok/szechenyi-terv-plusz/ginop-plusz/ginop-plusz-213-24/dokumentumok
[9] https://archive.palyazat.gov.hu/download.php?objectId=1096835

complex regional and national active and ecotourism developments in less developed regions of the country, particularly in rural areas with unique natural features.

This includes the support of activities ensuring the cooperation and interoperability of networks, routes and service points, active tourism routes, active tourism development and service development of national importance, awareness raising, the development of a uniform rating system for tourism service providers and local operators, complex ecotourism development in national parks, mostly state-owned forests, nature parks, geoparks. Creation and development of reception facilities for tourism (e.g. creation and development of a visitor centre, multifunctional exhibition space, sustainable development of related buildings for tourism and cultural purposes).

Recovery and Resilience Plan (RRP) of Hungary[10]

The RRP does not specify forestry-related areas for development.

Development no. 5 of the RRP focuses on developing the National Accreditation Centre for several training areas including forest management.

The RRP's D component[11] mentions the interests of forest management concerning water management investments. According to the RRP, the positive impacts of the envisaged water management investments on nature conservation, forestry, industry, and agriculture are expected to contribute to rural development. Opportunities to mitigate climate-related damage in agriculture include increasing biodiversity, cultivating multiple plant species simultaneously, and establishing shelter belts with native species.

The RRP's water management investment no. 3, in the area of nature protection, concerns the interests of forestry. An investment in the Hanság region aims to improve the water balance of the „Hanság" Natura 2000 site, to make ecological water replenishment safer, and enhance the retention of surface and groundwater. The main activities of the investment focus on developing the canal system, which was previously established to ensure balanced water supply for forestry aimed at wood production and arable farming needs.

1.2. Common Agricultural Policy (CAP)

Support for afforestation and reforestation

The tender "Support for afforestation and reforestation"[12] under the CAP SP provides for a significant amount of funding, totalling HUF 64 billion (EUR 160 million, code: RD38-RD39-1-25). It aims to enable land users to make a long-term commitment to forestry, either to diversify their income through industrial tree plantations or to plant forests for ecosystem services (green belt function, water retention, soil protection, public welfare, etc.). Climatic

[10] https://www.palyazat.gov.hu/programok/helyreallitasi-es-ellenallokepessegi-terv
[11] https://archive.palyazat.gov.hu/Italnos-dokumentumok#
[12] https://kap.gov.hu/tamogatas/kap-rd38-rd39-1-25

suitability will be considered when evaluating the content of the applications. Beneficiaries can be any natural or legal person who owns the land concerned or has the owner's consent to the planting.

Previously, the first planting activity and the subsequent maintenance of the plantation were eligible for the same support measure. This changed in 2025, as these two activities are separately supported in two distinct target areas. The first target area is the afforestation itself, or the establishment of a tree plantation for industrial purposes, while the second target area is the maintenance of afforestation and compensation for loss of farm income in subsequent years. The second target area does not cover industrial tree plantations.

The amount of **support for afforestation** (the minimum of eligible forest area is 0.5 ha):

Activity	Amount of funding (EUR paid in HUF)
First plantation, which includes the maintenance in the first year	
oak and beech, other hardwood	3920 EUR /ha
other softwood and pine	2885 EUR/ha
acacia	2628 EUR/ha
poplar	2299 EUR/ha
Additional activities	
fence	8 EUR/linear meter, but max. 1600 EUR/ha
electric fence	5 EUR/linear meter, but max. 518 EUR/ha
kerb	0,17 EUR/linear meter, but max. 749 EUR/ha
mycorrhizal plants	8 EUR/pcs, but max. 4300 EUR/ha
forest edge	2 EUR/linear meter
10 % mixed stands	500 EUR/ha
30 % mixed stands	1000 EUR/ha
planting rare species	1800 EUR/ha
Mandatory maintenance after the first year	
oak and beech, other hardwood	605 EUR/ha/year
other softwood and pine	328 EUR/ha/year
acacia	320 EUR/ha/year
poplar	320 EUR/ha/year
Compensation for income loss	
for all target species group	432 EUR/ha/year

The payment of the subsidy for the first afforestation and of the aid for the additional activity applied for are subject to the following cumulative conditions:

- the new forest area is registered in the National Forest Inventory,

- the area has been classified as forest in the Land Register,

- the beneficiary has been registered as a forest manager for the new forest area.

The physical completion of the supported activity is due at the latest within 24 months. The payment application must be submitted in the year of physical completion of the supported activity.

After the first afforestation has been carried out, the forest manager can apply for a **subsidy for maintenance** in the case of

- oak, beech and other hardwoods, for a further 11 years;

- other softwoods and pines for a further 8 years;

- acacia for a further 5 years;

- poplar for a further 5 years.

Aid to **compensate for loss of agricultural income** may be claimed for 12 years after the first afforestation. **Force majeure applications** for the same type of force majeure event concerning the same forest land may be submitted two times (previously, there was no such limit.)

Support for the planting of industrial tree plantations:

Activity	Amount of funding
First plantation	
Acacia for industrial purposes	2233 EUR/ha
Poplar for industrial purposes	2329 EUR/ha
Additional activities	
fence	8 EUR/linear meter, but max. 1600 EUR/ha
electric fence	5 EUR/linear meter, but max. 518 EUR/ha

In the case of industrial tree plantations, it is not possible to claim maintenance and agricultural income compensation in the years following the first planting. The planting must be carried out within 24 months after the decision on the subsidy becomes definitive.

Compensation payments for Natura 2000 forest areas (KAP-RD34-1-24)[13]

The national Natura 2000 network includes 773 000 hectares of forest, of which 594 00 hectares are state forest and 179,000 hectares are private forest. The payments for the Natura 2000 forest network and the protected and specially protected forest areas are intended to compensate forest managers for the additional costs and revenue foregone resulting from the implementation of Council Directive 2009/147/EC of 30 November 2009 on the conservation of wild birds and Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora, and the Nature Conservation Act. Therefore, this aid is intended not only to compensate for restrictions resulting from EU nature conservation rules, but also to overcome possible economic disadvantages resulting from compliance with domestic nature conservation requirements.

HUF 15 billion was paid as compensation for NATURA 2000 sites so far in 2025. The total amount of the tender is HUF 56,500,000,000 (ca EUR 140,000,000).

Forest managers registered by the forestry authority under the Forestry Act are eligible for support for the forest land concerned. Forest managers must have a forest plan for the forest areas concerned or an afforestation plan approved by the forestry authority, and they must be practising sustainable forest management, i.e., their management complies with the provisions of the Forest Act and the forest plan.

Based on the previous tender under the VP, support applications could be submitted for forest areas that were designated as NATURA 2000 areas[14] in the MePAR database[15] and in the National Forest Inventory Database[16]. Forest areas which are not NATURA 2000 sites, but classified as protected or highly protected areas in the National Forest Inventory Database and are natural, semi-natural, derived or transitional forests are also eligible under this call for proposals. According to the tender requirements, only entire forest compartments are eligible, and an additional eligibility criterion is that the area of the forest must be at least 0,25 ha.

An important change compared to the VP is that compensation can also be claimed for specific protected and specially protected forests in addition to NATURA 2000 forests. Under the VP, forest managers could apply for support for their forest areas that belonged to the NATURA 2000 network; however, this option was not available to municipalities, budgetary bodies, or economic entities in which the Hungarian State's share of ownership was equal to or exceeded 50%. The call for proposals published under the CAP SP does not contain any such clause, i.e. all forest managers are entitled to apply for support without exception, provided they meet the above conditions. The amount of aid that can be claimed varies from EUR 51/ha/year to EUR 297/ha/year depending on the natural state of the forest stand, the type of tree stand and the

[13] https://kap.gov.hu/tamogatas/kap-rd34-1-24
[14] Government Decree 275/2004 (X. 8.) on areas of European Community importance for nature conservation, *275/2004. (X. 8.) Korm. rendelet az európai közösségi jelentőségű természetvédelmi rendeltetésű területekről*, https://njt.hu/jogszabaly/2004-275-20-22
[15] https://mepar.hu/mepar/login.php
[16] https://erdoleltar.nfk.gov.hu

age class thereof. In the case of beneficiaries who are majority-owned by the Hungarian State, a maximum amount of EUR 500,000/year (paid in HUF) may be granted. The purpose of the limitation is to ensure that the compensation payment is covered until the end of the period of 2023-2027.[17]

Prevention of biotic and abiotic damage to forest potential (KAP-RD41-1-24)[18]

The CAP SP recognises that rapidly changing climatic conditions and related environmental impacts pose serious challenges to forest resources. The call for proposals for the prevention of biotic and abiotic damage to forest potential is also open to forest managers registered under the Forestry Act (public, municipal and private forest managers).

The budget available is HUF 3,9 billion (ca. EUR 9,750,000), which is several times higher than the amount allocated for this purpose in the VP. The maximum amount of support that can be requested is EUR 250,000 (paid in HUF).

Eligible activities are the establishment and maintenance or improvement and maintenance of firebreaks, establishment of water retention ponds, establishment of temporary water retention ponds, control of biotic pathogens or pests, chemical control of powdery mildew, control of the pine beetle, application of pine bark cleaner, felling of stumps or chipping of stumps in the ground in stands with a high fire risk.

Restoration of forest potential following abiotic or biotic damage (KAP - RD41-2-249) [19]

This tender aims to counteract the increasing and more extreme abiotic environmental stresses and events (such as forest and vegetation fires due to water scarcity and drought, frost damage and storm damage) and the spread of new biotic pathogens and pests by restoring them in a more resilient direction.

The amount of funding is HUF 10 billion (ca. EUR 25,0000,000). The amount of each aid depends on the condition of the damaged forest, the target stand and the type of restoration (artificial afforestation, root rotation or restoration by regeneration). The amount of aid varies between EUR 788 and EUR 3920/ha.

Establishment, maintenance and care of agro-forestry systems (KAP-RD21-RD22-1-25)[20]

The objective of the tender is to support the creation of wooded areas for habitat and landscape restoration that help to mitigate and adapt to adverse climatic changes caused by

[17] https://www.nak.hu/kiadvanyok/kiadvanyok/7735-erdoteruleteknek-nyujtott-natzra-2000-kompenzacios-kifizetesek-2024/file
[18] https://www.nak.hu/erdeszet/kap-erdeszeti-tamogatasok/107447-az-erdopotencialt-veszelyezteto-biotikus-es-abiotikus-karok-megelozese-rd41-1-24
[19] https://www.nak.hu/erdeszet/kap-erdeszeti-tamogatasok/107439-az-erdopotencial-abiotikus-vagy-biotikus-karokozast-koveto-helyreallitasa-rd41-2-24
[20] https://www.nak.hu/erdeszet/kap-erdeszeti-tamogatasok/107446-kornyezeti-es-klima-celu-mezovedo-agrar-erdeszeti-rendszerek-telepitese-rd21-es-fenntartasa-rd22

agriculture, to conserve and restore biodiversity and to protect soil, water and air in three target areas.

Planting of shelter belt on agricultural lands

The conditions are that creation of a shelter belt consists of the continuous planting of 1 row of trees in a 10 m wide strip. A maximum of 35 trees per hectare may be supported in areas of at least 0,5 ha of any agricultural land. Support for the shelter belt is linked to the number of trees: planting EUR 38/tree; care and maintenance for 7 years at a rate of EUR 4,75/tree/year (of which EUR 1,72/tree/year is to compensate for loss of agricultural income.

Planting of shelter belt on arable lands

The shelter belt on arable lands shall consist of the planting of 5 rows of trees and 2 rows of shrubs as a border over an area of at least 50 m in width. A maximum of 100 linear metres per hectare of woodland and 165 individual trees per hectare may be supported on an area of at least 0,5 ha. Unlike the other two activities, support for a shelter belt on arable lands is not linked to the number of tree units but to the length of the forest belt: planting EUR 12/linear metre; care and maintenance EUR 2/linear metre/year for 7 years (of which EUR 1,1/linear metre/year is to compensate for loss of agricultural income).

Creation of wooden pasture and meadow on the grassland

The planting may be carried out on grassland of at least 0.3 ha, with a minimum of 50 and a maximum of 100 trees/ha. The trees shall not be placed closer than 3 m to each other. Support for wooded pasture and meadow is linked to the number of trees: planting EUR 38/ha; care and maintenance for 7 years at a rate of EUR 3/ha/year.

Only in the case of this activity, the following elements may also be supported as additional activity:

- covered shelter (EUR 180/shelter)
- drinking trough (EUR 135/pcs)
- shadoof (EUR 297/pcs).

Support for customised knowledge transfer services (KAP-RD60-2-24)[21]

The objective of the tender "**Support for customised knowledge transfer services**" is to **subsidise** individual consultants and consultancy organisations providing individual consultancy services to farmers, forest managers and other beneficiaries of the CAP, including specific problems in the forestry sector. The budget allocated is 10 billion HUF (ca. EUR 25 million).

[21] https://www.nak.hu/erdeszet/kap-erdeszeti-tamogatasok/108260-egyedi-tudasatadasi-szolgaltatasok-tamogatasa-rd60-2-24

The grant's intensity may be up to 100%. The consultant, as beneficiary does not have to provide supporting documents (such as invoices, bank statements, summary sheets or other accounting documents) to justify the costs incurred, nor does it have to verify compliance with market prices, but must submit supporting documents as specified in the call for proposals with the payment application. The unit price of the consultancy is HUF 13,370/hour (ca. EUR 33/hour).

The applications are for two years. The maximum amount of aid that may be requested is HUF 214,000,000 (ca. EUR 535,000), calculated based on the amount of a consultancy plan. A final beneficiary (e.g. the forest manager) may receive a maximum of 3 consultants per year for a maximum of 30 hours of subsidised consultancy per consultant. A maximum of 1700 hours of consultancy/consultant/year may be supported.

Support for the regeneration of young forests (KAP-RD40-1-24)[22]

The planned budget in this tender is HUF 3.9 billion (ca. EUR 9,750,000). Aid applications may be submitted from 4 September 2024 to 22 September 2025. A maximum amount of EUR 50,000 (paid in HUF) may be requested. Under the call for proposals, aid may be granted for completed maintenance, cleaning and pruning. The aid is a non-reimbursable flat-rate grant based on unit costs.

Support for forest genetic conservation (KAP-RD36-1-25)[23]

The planned budget in this tender is HUF 5,5 billion (ca. EUR 13,750,000). The call for proposals includes two target programmes. The first is the in-situ target programme, the aim of which is to maintain the gene pool in its original environment, allowing the processes that affect and shape it to continue operating unhindered. In the ex-situ targeting programme, the gene pool cannot be safely maintained in its original location, so the genotypes to be conserved are placed in ex-situ collections. Support may be granted to a registered forest manager, a registered producer of forest reproductive material, the manager of a forest gene collection or, in the case of the establishment of a new forest gene conservation or development stand, the owner of the site or a person with the land owner's consent.

Anyone who has already received any aid for the same activity, the same species and the same area from national or EU funding for such an establishment cannot receive aid under this tender.

Under the in-situ target programme, an application can be submitted for

- forest genetic reserve (EUR 250/ha for establishment, EUR 100/ha/year for maintenance)

[22] https://www.nak.hu/erdeszet/kap-erdeszeti-tamogatasok/107451-fiatal-erdok-allomanynevelesenek-tamogatasa-kap-rd40-1-24
[23] https://www.nak.hu/erdeszet/kap-erdeszeti-tamogatasok/107449-erdo-genetikai-tobbeves-kotelezettsegvallalasok-rd36

- seed stock (EUR 360/ha for establishment, EUR 150 /ha/year for maintenance).

Under the ex-situ target programme, the available support is for

- gene collection in juvenile form in forest nurseries (EUR 55/ha for establishment, EUR 50/ha/year for maintenance)
- gene collection, graft, genotype in forest area (EUR 100 /ha for establishment, EUR 40/ha/year for maintenance)
- gene collection, woody, genotype in forest nursery and forest area (EUR 100 /ha for establishment, EUR 40/ha/year for maintenance)
- gene collection, progeny, lineage, family in forest area (EUR 120/ha for establishment, EUR 50/ha/year for maintenance)
- for stock nurseries, elite parent stock of vegetatively propagated varieties (EUR 120/ha for establishment, EUR 200/ha/year for maintenance)
- for stock nurseries, superelite-grade mother plants of vegetatively propagated varieties (EUR 40/ha for establishment, EUR 210/ha/year for maintenance)
- for stock nurseries, plantations of generatively propagated varieties (EUR 8 600/ha for establishment, EUR 660/ha/year for maintenance) for establishment and maintenance and for maintenance.

Support for producer groups, producer organisations

Producer groups had access to two rounds of funding under the VP to cover the costs of setting up and running their organisations (VP3-9.1.1-20). 100 producer groups were awarded HUF 14.29 billion in funding. The aid scheme enabled producers to collaborate in supplying bulk buyers with consistent quality and processing standards for their products, thereby influencing the market and achieving higher incomes.

Producer groups and producer organisations can now also count on support for their establishment and operation under the CAP SP, with HUF 13.4 billion available. It will also be possible for forest managers to establish producer groups; however, there is currently no call for proposals in this regard.[24]

Other grants under the CAP SPfor which no call for proposals has yet been published:[25]

- Support to join quality assurance and management systems (RD47)
- Training (RD58), consultancy (RD59) services and innovation cooperation (RD61)
- Diversification of farmers' activities (RD11)
- Rural development cooperation for the development of a biomass-based economy (RD52)
- Support to start-ups of young forest managers (RD08)

[24] https://www.nak.hu/erdeszet/kap-erdeszeti-tamogatasok/107452-termeloi-csoportok-termeloi-szervezetek-tamogatasa-rd44
[25] https://www.nak.hu/erdeszet/kap-erdeszeti-tamogatasok

1.3. LIFE and Horizon Europe

Projects relevant to SFH supported from LIFE, Interreg and Horizon Europe funding are analysed for the whole EU in a dedicated chapter and annex.

2. Financial incentives based on MS funding

2.1. State aid

According to the data of the state aid transparency public search page of the EC[26], over the past five years, notified State aids in the forestry sector were aimed at providing a remedy for a serious economic disturbance in Hungary. The economic activities subsidised in the forestry sector included silviculture and other forestry activities, as well as support services to forestry. The primary aid instruments were direct grants, guarantees, and soft loans ranging from HUF 749.667 to HUF 135.000.000 (ca. EUR 1,870 to EUR 337,500) provided to small and medium-sized enterprises as beneficiaries. The State aid measures were related to the COVID pandemic and Russia's invasion of Ukraine. [27]

State aid measures related to COVID-19

Hungary's support measures to help citizens and companies during the significant economic impact of the coronavirus pandemic:

- COVID-19: Exceptional Liquidity Guarantee Programs by Garantiqa Zrt and the Hungarian Development Bank
- Crisis Rural Guarantee Programme by AVHGA (Rural Credit Guarantee Foundation)
- COVID-19 scheme for the reduction of local business tax rates applicable to small and medium-sized enterprises to moderate the effects of the coronavirus pandemic on the economy
- Covid-19: Grants, guarantee and subsidised interest measures
- Scheme financed from Structural Funds for enterprises in temporary financial difficulties due to the COVID-19
- Temporary aid scheme for the agri-food sector, aquaculture and forestry affected by the coronavirus outbreak

TCTF - Hungarian umbrella scheme to support companies in context of Russia's invasion of Ukraine

The European Commission has approved a EUR 226 million (HUF 90 billion) Hungarian scheme to support small and medium-sized enterprises ('SMEs') across sectors in the context of Russia's invasion of Ukraine. The scheme was approved under the State aid Temporary Crisis Framework, adopted by the Commission on 23 March 2022, based on Article 107(3)(b) of the Treaty on the Functioning of the European Union, recognising that the EU economy is experiencing a serious disturbance.

Under this measure, administered by the Rural Credit Guarantee Foundation AVHGA, the aid took the form of guarantees on new loans; support services to forestry and silviculture and other forestry activities were supported in the form of direct grants.

[26] https://webgate.ec.europa.eu/competition/transparency/public?lang=en

[27] https://commission.europa.eu/strategy-and-policy/coronavirus-response/supporting-jobs-and-economy-during-coronavirus-pandemic/state-aid-cases/hungary_en

2.2. Taxes and tax exemptions, subsidies

Tax exemptions

There is no sector-specific forest tax legislation, i.e. the general tax rules apply to the specific economic and financial processes of forestry. Forest managers must pay taxes and contributions according to the general tax rules applicable to other business organisations and enterprises. Income-related taxes are personal income tax, corporate income tax, and social contributions. Sales-related tax is the VAT, and property-related tax is the weight tax (on motor vehicles). Applicable local taxes can be the tax on real estate (if the forest manager is also the owner), municipal tax, and local business tax.
Local municipalities have the right to impose local taxes on real estate, including forest lands, in their area of jurisdiction.[28]

In some instances, **tax exemption for forest owners** applies to personal income tax (the general rate of which is 15%). **The income from leasing the use of the forest for at least five years and from forest management or associated forest management for at least five years is exempt from personal income tax.**[29]

The general VAT rate in Hungary is 27%. In addition to the standard rate, a reduced rate of 5% and 18% has been set for on services and products listed in detail in the VAT Act[30]. Forestry-related products and services are not specified in this respect. Products and services in the forest value chain are, in general, not exempt from the VAT, these are not subject to reduced rate VAT either.

In the case of micro and small undertakings and individual entrepreneur it is relevant that **the amount of limit for individual VAT exemption is HUF 18.000.000 (ca. EUR 45.000) revenue/year.**

The VAT Act provides a narrow exemption from paying VAT for domestic micro-undertakings carrying out certain activities in agriculture or forestry.[31] These specific rules apply only to taxable persons engaged in agricultural activities, who is a micro and autonomous enterprise established in Hungary. In this context, „agricultural activity" covers

- the production and processing of products listed in Part I of Annex 7 to the VAT Act, if carried out in this person's own business;
- the provision of the services listed in Part II of Annex 7 to the VAT Act, if the person uses the means of productions and resources of his own business for the production and processing of products listed.

Forestry-related **products** in Part 1.B of Annex 7 of the VAT Act are saplings and grafting of forest trees and shrubs, seeds of forest trees and shrubs.

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[28] Act C of 1990 on local taxes, Article 20(1) point c) (*1990. évi C. törvény a helyi adókról*)
https://net.jogtar.hu/jogszabaly?docid=99000100.tv
[29] Act CXVII of 1995 on personal income tax, Annex 1 point 9.8.1. (*1995. évi CXVII. törvény a személyi jövedelemadóról*)
https://njt.hu/jogszabaly/1995-117-00-00.212#PR
[30] Act CXXVII of 2007 on the Value Added Tax, 2007. évi CXXVII törvény az általános forgalmi adóról, VAT Act,
https://njt.hu/jogszabaly/2007-127-00-00
[31] Articles 197-199 of the VAT Act

Forestry-specific **services** in Part 2 of Annex 7 of the VAT Act are hiring out, for agricultural purposes, of equipment used in agricultural, forestry or fisheries undertakings, the operation of farming and forestry irrigation equipment, lopping, tree felling and other agricultural and forestry services.[32]

Therefore, micro-undertaking forest managers or forest contractors providing such services in relation to the production or processing of the listed products and meeting all criteria are exempt from paying VAT concerning their agricultural activity.

Furthermore, the VAT Act ensures the right to **claim flat-rate compensation for these products and services in its Annex 7.** The rate is 7% of the flat-rate compensation base for the products listed in Part I.B of Annex 7 and for the services listed in Part II of Annex 7 to the VAT Act.

The above-mentioned VAT exemption and the right to compensation for agricultural activities apply to the micro-enterprise only if its annual revenue from operations other than agricultural activities does not exceed the amount limit for the individual VAT exemption (18.000.000 HUF, ca EUR 45.000).

2.3. Funding provided by regional and local authorities

Timber in the public interest

The NÉBIH (National Office for Food Chain Safety) has launched a call for applications for the timber confiscated during EUTR inspections. Local governments, civil organisations registered in Hungary, and churches can submit applications for the public interest use of timber confiscated during EUTR inspections. A maximum of HUF 5 millions of registered value of non-firewood timber and a maximum of HUF 3 millions of registered value of firewood timber, up to a maximum of 120 cubic metres of solid wood, may be given free of charge to an applicant per year. [33]

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

Funding provided by foundations, business associations, educational or other institutions have not been found.

2.5. Innovative funding sources

By referring to the Second National Climate Protection Strategy in its Green Programme, the National Bank of Hungary (the MNB) recognises that Hungary is rich in water resources, arable land, forests, and a diverse array of wildlife, the protection of which necessitates the implementation of coordinated and long-term strategies. The Second National Climate

[32] Points 11,12 of Part 1.B and Points 5, 8, 10 of Part 2, Annex 7 to the VAT Act
[33] https://portal.nebih.gov.hu/faanyagok-kozerdeku-celu-igenylese

Protection Strategy suggests that decarbonisation will not hinder the competitiveness of the Hungarian economy; rather, through innovation and the development of the green economy, it may aid in modernising production industries and reindustrialising Hungary. The MNB has based its Green Programme on the National Climate Protection Strategy, international best practices, along with its own analyses and priorities. [10]

The MNB's green financing program is not specifically designed to support the forestry sector.

Preferential capital requirements

The MNB regulatory guidelines (Green Preferential Capital Requirement Programme for Corporates and Municipalities) for credit institutions on climate and environmental risk management came into force in June 2021. The guidelines encourage banks to evaluate environmental risks when assessing their impact on operations and their financing portfolios using measurable and reliable indicators and methods in accordance with the recommendations of the task force on climate-related financial disclosures. **In September 2023, the MNB decided to extend and prolong the Green Preferential Capital Requirements Programme.** By the end of 2023, credit institutions had benefited from preferential capital requirements for gross exposures of HUF 880 billion (ca. EUR 2,2 billion) under this programme, which has had a significant impact on market and institutional development. According to the MNB's report, the programme has proven that green exposures are indeed less risky, with firms participating in the programme having significantly lower default rates. Most of the corporate loans underlying the Green Preferential Capital Requirements are linked to renewable energy production. [34]

Green bonds

In 2019, the Hungarian National Bank (the MNB) decided to create a dedicated portfolio of green bonds, and since 2021, it has published the climate risk exposure of its asset portfolios annually in its Climate-Related Financial Disclosure (TCFD Report)[35].

The MNB's guidelines define the main standards for green bonds, provide issuers with a list of tasks to be performed, and define required documentation and reporting obligations. The Budapest Stock Exchange is also supporting the development of the green bond market by publishing guidelines for environmental, social and governance (ESG) reports, introducing internationally accepted content and format standards; and providing practical assistance in the preparation of ESG reports.

Green company bonds were issued in 2020 as part of the MNB's bond funding for growth scheme. The launch of the Hungarian corporate green bond market was marked by the issuance of bonds worth HUF 30 billion (approximately EUR 78.8 million), followed by additional green bond issuances by several other companies. The 2020 green bond of a real

[34] Green Finance Report, MNB, 2024, https://www.mnb.hu/letoltes/zo-ld-pe-nzu-gyi-jelente-s-2024-eng-webes.pdf
[35] https://www.mnb.hu/en/publications/reports/the-magyar-nemzeti-bank-s-climate-related-financial-disclosure

estate rental and operation company was followed by others and the green bond market started to grow dynamically. Under the programme, the MNB purchased 114 bond series, 22 of which are certified green bonds. Green bonds purchased by the MNB account for nearly 21 % of the portfolio. The nominal value of 2023 corporate bond issuance amounted to HUF 307.68 billion. In nominal terms, the share of green bonds in stock of corporate bonds was 24 % at the end of 2023.[36]

Additionally, the Hungarian Green Bond Framework was introduced in May 2020 and renewed in July 2023. The Ministry of Finance in cooperation with the government debt management agency of Hungary has set up a steering committee. **During 2023, the Government Debt Management Agency issued green bonds in an amount of only HUF 76 billion net, down from previous years.** And the issue was limited to the domestic forint market. The share of green government bonds in total government bond holdings in Hungary was 3.6 % at the end of 2023. **The sectoral distribution of green bond issuance is heterogeneous.** The bulk of domestic green bonds was issued by real estate, electricity, gas, steam and air conditioning.

Green mortgage bonds

The MNB has also launched a **green mortgage bond purchase programme** for the purchase of green-rated mortgage bonds to facilitate the issuance of green housing loans. **According to the MNB's 2024 Green Finance Report, in recent years, green mortgage bonds have become an important instrument in the market for sustainable financial instruments.** By issuing the securities, mortgage banks commit to hold at least as many green – i.e. energy- efficient – properties in the loan portfolio backing the mortgage bonds as the amount of funds raised at the time of issuance.

Other innovative funding sources

Crowdfunding and webshop donations

Formerly, the main national crowdfunding site (https://adjukossze.hu/) had crowdfunding initiatives related to tree planting.[37] A campaign for tree planting that closed in 2021, achieved 230 % of its targeted funding with a total of HUF 1 612 000 (ca. EUR 4 030), but currently there are not active initiatives on this site.

The crowdfunding site also offers webshop donations via which NGOs can be supported when shopping online. After each purchase, the participating webshops share a portion of their profits (on average 2%) with the given organisation.

[36] https://www.mnb.hu/letoltes/zo-ld-pe-nzu-gyi-jelente-s-2024-eng-webes.pdf
[37] https://adjukossze.hu/adomanygyujtesek/legnepszerubb/mind/mind/mind/ültetés

2.6. Other funding sources

Settlement Afforestation Programme

The Ministry of Agriculture announced the Settlement Afforestation Programme in the framework of the National Afforestation Initiative, which started in June 2020, in connection with the VP, the Climate and Nature Action Plan and the Climate Change Action Plan of Hungary. This initiative aims to increase Hungary's forests and areas covered by trees to 27 % by 2030. Under this programme, 36549 trees have been planted in the first two years. According to the plans, until 2024, ca 1 500 Hungarian settlements with fewer than 10 000 residents had been enriched with almost 56 000 trees.[38]

Social firewood programme

The social firewood programme was launched in 2011, with a budget of around HUF 900 million (ca. EUR 2,25 million). Municipalities with less than 5,000 inhabitants can apply for support for the purchase of social firewood. It is up to the municipalities to decree the eligibility criteria for the residents of the settlement.
The total budget for this scheme is HUF 5 billion (ca. EUR 12,500,000) by 2025, and approximately 180-200,000 households are supported each year. In 2024, 2,346 municipalities have been awarded grants to purchase firewood for social purposes. The municipalities will purchase from forest managers registered with government agencies, and 95-98 % from state forest managers. The winning municipality may use the grant to purchase firewood and distribute it to those in need; the costs of transporting the firewood, including delivery to the recipients, are borne by the municipality.
The state forestry companies have been major participants in this programme from the beginning. Between 2011 and 2024, the state forestry companies provided more than 1,900,000 cubic metres of firewood from Hungarian forests.
In 2024, most of the support, totalling more than HUF 933 million, went to the local governments of Borsod-Abaúj-Zemplén county, followed by Szabolcs-Szatmár Bereg county with more than HUF 907 million and Somogy county with almost HUF 420 million.[39]

[38] https://orszagfasitas.hu/hirek/az-a-cel-hogy-az-orszag-teruletenek-27-szazaleka-legyen-erdos-terulet/
[39] https://fataj.hu/2024/06/szocialis-tuzeloanyag-program-2/

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