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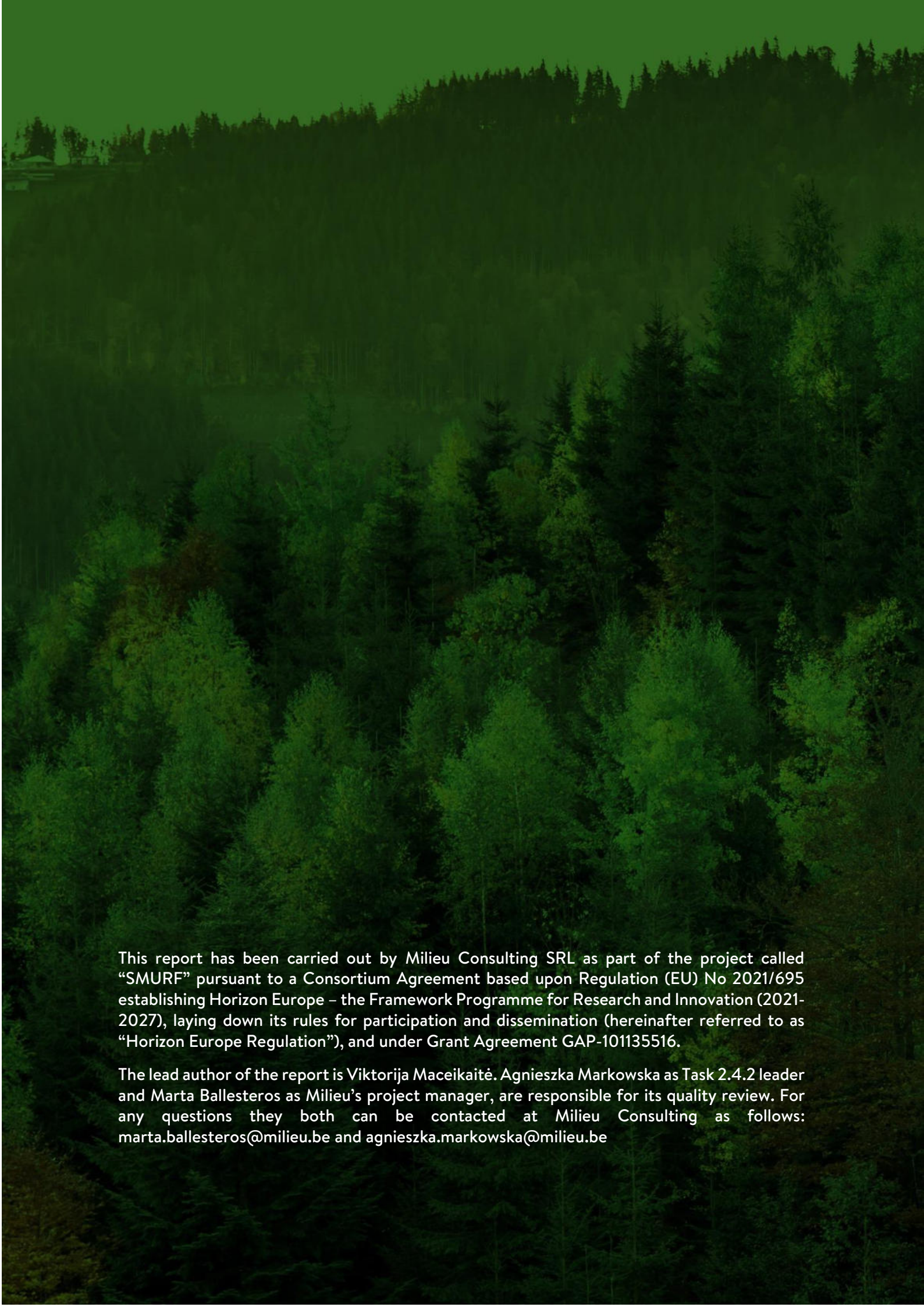
Financial incentives applicable to Small Forest Holdings and their impacts

Country Fact Sheet
Lithuania

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Financial incentives applicable to Small Forest Holdings

WP2, Task 2.4.2

Executive Summary

This report provides an overview of the financial incentives available to small forest holdings (SFHs) in Lithuania, aimed at supporting sustainable forest management, enhancing biodiversity, and mitigating climate change. These incentives are provided through various EU and national funding programs, as well as private sector initiatives, all of which offer crucial support to private forest owners.

The European Regional Development Fund and the Cohesion Fund are key contributors to Lithuania's environmental resilience. Under the 2021–2027 Investment Programme for European Union Funds, significant funding is directed toward promoting forest fire protection and enhancing ecosystem resilience, with €23.53 million allocated for advanced forest fire detection systems. These efforts will benefit both public and private forest owners, with the goal of improving fire prevention and forest management practices on nearly 2 million hectares.

Additionally, the Common Agricultural Policy (CAP) plays a central role in providing financial support for forestry in Lithuania. The CAP's Strategic Plan for 2023–2027 allocates substantial funds to support forest maintenance, afforestation, reforestation, and the development of young tree nurseries. Through measures such as direct payments for forest maintenance, afforestation payments, and subsidies for young tree plantations, CAP supports the creation of climate-resilient forests and encourages sustainable land use practices that also contribute to climate change mitigation and adaptation. Additionally, the Strategic Plan allocates targeted funding to support innovation, sustainability, and knowledge sharing across agriculture and forestry, including projects not directly tied to forest owners. The support though opens opportunities to forest owners to benefit from training, consultations, and participation in innovation-driven initiatives.

On the national level, Lithuania's Climate Change Programme is designed to support forest owners through one-time payments for the preservation of self-sown trees, contributing to enhanced carbon sequestration. This program, with a budget of €4 million, will be available for landowners from September 2024 to March 2026. Another key national initiative supports forest conversion and restoration, offering financial assistance to transform marginal forests into productive, climate-resilient stands, with an allocated budget of €1.62 million. In addition, the government provides compensation for damages caused by wild game through the Environmental Protection Support Programme, which has a dedicated annual budget to cover damage prevention and compensation for losses.

Lithuania also offers significant tax incentives for forest owners. These include exemptions from land tax for forested areas and reduced profit tax rates for small enterprises, providing further support for the economic sustainability of small forest holdings. Furthermore, various philanthropic organisations, such as the Lithuanian Nature Fund (LGF), the Ancient Woods Foundation, and the

National Fund for the Support of Intact Forests, contribute to the conservation and expansion of Lithuania's forests. These organisations focus on promoting responsible forest management and protecting biologically valuable forest areas. However, their relevance to SFHs funding seems limited.

Emerging financial mechanisms, such as green bonds and carbon credit markets, present additional opportunities for small forest holders. However, to date, there are only first attempts in terms of the use of such innovative funding sources in Lithuania. The pilot project initiated by the Estonian company Arbonics OÜ, which helps forest owners generate carbon credits through sustainable forest management, exemplifies the growing potential of these innovative financial instruments to diversify revenue streams for SFHs. However, the green bond initiative currently does not provide direct funding for forestry projects, and the carbon credit market is still in its nascent stages in Lithuania.

1. Financial incentives based on EU funding

1.1. The European Regional Development Fund

The ERDF and Cohesion Funds are an important driving force of the Lithuanian economy, and Cohesion Policy is considered a key advantage of Lithuania's EU membership. The Partnership Agreement foresees a budget of approximately €8 billion for 2021-2027 in Lithuania, of which €6,4 billion are EU funds and an additional €1.7 billion are national funds[1]. The budget of Lithuania's Investment Programme for European Union Funds for 2021–2027 (Investment Programme) consists of contributions from the European Regional Fund (ERDF), the European Social Fund+ (ESF), the Cohesion Fund (CF), and the Just Transition Fund (JTF). The Investment Programme aims to ensure long-term economic and social prosperity, resilience and competitiveness of the Lithuanian economy and foresees 10 funding priorities[2]. Objectives of Priority 2 'Greener Lithuania' include the promotion of climate change adaptation through ecosystem-based approaches and an objective on the protection and preservation of nature, biodiversity and green infrastructure. The total funding foreseen for this Priority is €1.85 billion. Up to now, there are no calls relevant to SFHs[3].

The sixth strategic objective of the Lithuanian National Progress Plan **NPP** 2021-2030[4] aims to ensure good environmental quality and sustainable use of natural resources, protect biodiversity, mitigate Lithuania's impact on the climate and enhance its resilience to the impacts of climate change. Four Ministries - Environment, Agriculture, Energy, and Transport and Communications - are responsible for its achievement and each prepared a Development Programme with progress measures for specific targets. The NPP integrates EU, other international funding sources and the State budget funds. The Ministry of Environment is responsible for the 2022–2030 Development Programme for Environment and Climate Change Management (Development Programme), which defines several progress measures, including '**Enhancing the effectiveness of climate change policy**' and '**Promoting the forest development and sustainable development of the forest sector**'.

The activities/projects under the progress measure '**Promoting the forest development and sustainable development of the forest sector**'[5] are financed by the State budget (Programme for financing general forestry needs), State Forest Enterprise funds, and from the Cohesion Fund.

This progress measure foresees financial support for the implementation of advanced forest fire detection and rapid response tools and technologies on 1.9 million ha of forest areas. The Lithuanian State Forest Enterprise is the beneficiary of the financial support. Under the Law on Forests, the

[1] About the Partnership Agreement: https://2021.esinvesticijos.lt/apie-programas/2021-2027-m-es-fondu-investiciju-programa/apie-2021-2027-m-es-fondu-investiciju-programa

[2] About the 2021-2027 EU Funds Investment Programme: https://2021.esinvesticijos.lt/apie-programas/2021-2027-m-es-fondu-investiciju-programa/apie-2021-2027-m-es-fondu-investiciju-programa

[3] https://esinvesticijos.lt/kvietimu-sritis/kvietimu-sarasas?_token=c8ea4d7c00f64608fb6d7.IEn4DIdVP7emlxaDXOKzkaTPVqzJIeYoEPgJO-O3bOg.8ROdOi40dNPp0nvhKJXS3uOHPcq-ZbV6Qp1ofZrCH5LePpIcADtmxpT7Qw&query=&applicants_type%5B%5D=private&status%5B%5D=45&submission_to%5Bfrom%5D=&submission_to%5Bto%5D=&ordering=

[4] NPP: https://www.e-tar.lt/portal/lt/legalAct/d492e050f7dd11eaa12ad7c04a383ca0/asr

[5] https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/f6854930385111edbf47f0036855e731/asr

State Forest Enterprise is responsible for implementing the general state forest fire protection system, regardless of ownership. This intervention will therefore have a positive impact on private forest owners and managers.

This support aims to improve forest protection and condition, reduce the economic losses caused by forest fires, damage to nature, and atmospheric pollution, as well as ensure the preservation of ecosystems and biodiversity.

The total allocated budget is €23,529,400.00 (out of which €20,000,000.00 the Cohesion Fund).

The managing institution – Central Project Management Agency, Phone: +370 5 251 4400; +370 5 249 9230, email: info@cpva.lt, https://cpva.lt/

The following result indicators apply:

- residents who can use forest fire protection measures, number of persons – 294 118 (2029 m.)

- areas covered by forest fire protection measures, ha – 1 960 784 ha (2029 m.)

1.2. Common Agricultural Policy (CAP)

The Strategic Plan for Agricultural and Rural Development of Lithuania 2023-2027 (Strategic Plan)[6] aims to ensure the sustainable development of Lithuania's agriculture and food sector. This will be achieved by increasing the added value and the competitiveness of the sector, supporting farm viability, especially small- and medium-sized farms, promoting sustainable production methods, while also ensuring adaptation to climate change and nature conservation. Enhancing innovation and increasing the attractiveness of rural areas are also emphasised. In total, almost €4 billion of EU support and around €276.5 million of national budget funds are earmarked for Lithuanian agriculture and rural development over the five-year period 2023-2027.

The Strategic Plan covers both pillars of the CAP:

- ✓ Pillar I – covers direct support, climate, environmental and animal welfare schemes (eco-schemes), and sectoral programmes. €3.02 billion of EU funding and around €2.8 million of national funding has been allocated to this pillar.
- ✓ Pillar II – covers investment, cooperation, environmental and climate measures, and other rural development initiatives. €977.5 million of EU funding and €273.7 million of national funding has been allocated to this pillar.

Over the period 2023-2027, more than EUR 1 billion will be spent on 'green' interventions, such as eco-schemes, maintenance of organic farming, **afforestation or forest regeneration**. In order to receive income support, farmers and **foresters** have to respect certain minimum good agricultural and environmental conditions (GAECs)[7].

[6] About the Strategic Plan: https://zum.lrv.lt/lt/veiklos-sritys/bendroji-zemes-ukio-politika/lietuvos-zemes-ukio-ir-kaimo-pletros-2023-2027-m-strateginis-planas-1/

[7] At a glance: Lithuania's CAP Strategic Plan: https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/lithuania_en#annual-performance-reports

The Strategic Plan provides funding for intervention measures through direct payments, as well as through Sectoral and Rural development interventions. The budget of the Strategic Plan includes funding for the following activities related to forestry by financing Rural development interventions[8]:

- ✓ Forest maintenance and protection (KP03įmp) – €11 million, of which €9.2 million is EU funding;
- ✓ Afforestation and reforestation (KP02mva) – €7 million, of which €5.9 million is EU funding;
- ✓ Young tree nursery development (KP05mju) – €6.1 million, of which €5.1 million is EU funding;
- ✓ 'Natura 2000' in forests (KP06ntm) – €8.2 million, of which €6.9 million is EU funding.

The interventions aim achieving objectives to contribute to climate change mitigation and adaptation also by reducing greenhouse gas emissions and increasing carbon dioxide sequestration. Forests absorb the largest share of GHG emissions in land use, land use change and forestry sector. Due to increased numbers of extreme meteorological phenomena, more frequent plant diseases and pests contribute to higher economic losses. The interventions are linked with the environmental and climate management commitments aim to promote afforestation and restoration, forest maintenance and protection, development of young tree plantations. For sustaining forest biomass, compensations are foreseen for forest cutting limitations in the forest areas located in Natura 2000 areas or other areas with nature values. More specific information on each intervention is given below.

Forest maintenance and protection (KP03įmp)[9]

The objective of the measure is to increase the forest cover in Lithuania, the environmental, social and economic value of Lithuanian forests, to restore forests damaged by natural disasters. This measure aims to establish stable and viable forest ecosystems in planted forests that are free from unwanted vegetation and forest pests. The measure supports the costs of maintenance and protection of planted, restored forest and self-forestation areas.

This measure will increase forest cover, contributing to carbon dioxide absorption, air purification and carbon storage in biomass, as well as reducing greenhouse gases in the atmosphere and mitigating climate change. The measure contributes to the specific objective SO4 of the CAP – contribute to climate change mitigation and adaptation, including by reducing greenhouse gas emissions and enhancing carbon sequestration, as well as promoting sustainable energy.

The Strategic Plan allocates €6.5 million (from €11 million allocated for this measure) to cover ongoing commitments relating to loss of income, forest maintenance and protection, and the young tree nursery development (commitments made under the Measure of the Rural Development 2004-2006 programme "Afforestation of agricultural land"; the Measure of the Lithuanian Rural Development Programme 2007-2013 "First afforestation of agricultural land"; the area of the activity "Afforestation" of the Measure "Investments in the development of forest areas and improvement of forest viability" of the Lithuanian Rural Development Programme 2014-2020. The remaining part of funds is allocated to support the maintenance and protection of forests after the afforestation or

[8] Strategic Plan budget and payments: https://zum.lrv.lt/uploads/zum/documents/files/LT_versija/Veiklos_sritys/Bendroji_zemes_ukio_politika/2023-2027%20SP%20Finansinis%20planas.pdf

[9] Strategic Plan: https://zum.lrv.lt/public/canonical/1741099952/17543/Strateginis_planas_v._5.2_20250303.pdf

restoration of forests damaged by natural disasters, self-sowed forest plantations. Annual maintenance and protection payments are calculated separately for each afforestation and reforestation project, depending on the species composition of the planted trees and seedlings and the type of protection measures. Support is paid for the area of forest that is maintained and protected. Maximum payment: €504/ha. Duration of the support – 7 years.

The total area foreseen to be afforested is 3500 ha.

Beneficiaries – managers of private land, municipalities that manage land on legal grounds. The eligible area must be at least 0,5 ha, except in the case of managing forest area adjacent to forest.

The call for proposals for 2025 has not yet been launched. The allocated budget is €2 million, the total area – 250 ha.

Afforestation and reforestation (KP02mva)[10]

The strategic objective of forest and forestry development in Lithuania is to enhance the multiple benefits of forests society and taking into account the long growing season and differences in ownership, ensure that the principles of sustainable forest management are implemented in all the country's forests.

The measure supports the afforestation or restoration of the forests damaged by natural disasters.

The measure will contribute to the objectives of the new 2030 EU Forest Strategy to ensure an increase in the quality and extent of EU forests over the coming decades, as well as to the target of planting at least 3 billion additional trees by 2030. The measure contributes to the specific objective SO4 of the CAP – contribute to climate change mitigation and adaptation, including by reducing greenhouse gas emissions and enhancing carbon sequestration, as well as promoting sustainable energy.

Support for afforestation or reforestation investments in damaged forests shall be granted on a per-unit basis, with rates based on the species composition of forest plantations per hectare. Where an afforestation or reforestation project involves the installation of a temporary protective fence or the use of repellents to protect the forest, an additional one-off payment for fencing or repellent protection is granted for the first year of the plantation's growth (only if used). The final amount of support depends on the area of the afforestation and reforestation project and the plantation protection measures applied. The average support for one project on afforestation and restoration of damaged forests is €10.000.

Beneficiaries – managers of private land, municipalities that manage land on legal grounds. The eligible area must be at least 0,5 ha, except in the case of managing a forest area adjacent to a forest.

[10] Strategic Plan: https://zum.lrv.lt/public/canonical/1741099952/17543/Strateginis_planas_v._5.2_20250303.pdf

A call for proposals has been launched in 2025[11]. Submission of applications from April 1, 2025, to May 30, 2025. Managing institution - the National Payment Agency (Phone +370 5 252 6999, email: info@nma.lt).

Financial support is granted to natural and legal persons with ownership rights, municipalities that manage land on legal grounds: one-time payments for afforestation and (or) restoration of forest damaged as a result of natural disasters, including fencing or use of repellents. Amount of the payment depends on tree type and activity type (afforestation or reforestation) – from 2710 €/ha to 1511 €/ha. Additionally: 1,484 €/ha for fencing, 232 €/ha for protection with repellents.

The call budget – 4,600,000.00 € (out of which not more than 1,400,000.00 € for the Capital region)

Young tree nursery development (KP05mju)[12]

The measure is aimed at the development of young trees plantation (up to 20 years of age).

The measure will contribute to achieving the objectives of the new EU Forest Strategy 2030 by ensuring an increase in the quality of EU forests in the coming decades. It contributes to increasing resilience to the impacts of climate change, to carbon sequestration, air purification, carbon storage in biomass and the reduction of greenhouse gases, as well as to increasing biodiversity.

The measure contributes to the specific objective SO4 of the CAP – contribute to climate change mitigation and adaptation, including by reducing greenhouse gas emissions and enhancing carbon sequestration, as well as promoting sustainable energy.

Beneficiaries – natural persons, legal persons, except those who manage state forests on legal grounds, municipalities. Management of forest land is required to be carried out on the basis of ownership rights or other legal grounds.

Financial support under this measure may be granted twice in the same area during the implementation of the Strategic Plan.

It should be noted that after the end of the participation period under the measure "Forest maintenance and protection" (KP03įmp), the beneficiary may apply for support under the measure "Young tree nursery development" (KP05mju).

The subsidies for the development of young tree plantation - €365 per ha. The average support for one project is €6.100.

The first call for proposals was launched from March 3, 2025, to April 30, 2025[13]. Managing institution – the National Payment Agency (Phone +370 5 252 6999, email: info@nma.lt).

Financial support is granted to natural persons, legal persons, except those who manage state forests on legal grounds, municipalities. Management of forest land is required to be carried out on the basis

[11] https://www.paramakaimui.lt/index.php/parama/lietuvos-zemes-ukio-ir-kaimo-pletros-20232027-metu-strateginis-planas/priemoniu-sarasas/misko-veisimas-ir-atkurimas-2025-m-i/47109?tab=1

[12] Strategic Plan: https://zum.lrv.lt/public/canonical/1741099952/17543/Strateginis_planas_v._5.2_20250303.pdf

[13] https://www.paramakaimui.lt/uploads/files/dir4852/dir242/dir12/13_0.php

of ownership rights or other legal grounds: one-time payment for the young trees nursery (up to 20 years of age) – 365 €/ha

The call budget – 4,000,000.00 €

The second call for proposals is foreseen from September 1, 2025, to October 31, 2025.

'Natura 2000' in forests (KP06ntm)[14]

This measure grants payments to compensate for costs or income losses incurred by forest managers as a result of restrictions in the plots of forest located in these territories:

- 'Natura 2000' network forest areas with Special Protection Areas (SPAs) status under the Birds Directive 2009/147/EC and Special Areas of Conservation (SACs) status under Habitats Directive 92/43/EEC;

- other valuable forest areas outside Natura 2000 where the breeding sites of bird species of European Community importance listed in Annex 1 of the Birds Directive have been identified.

The measure contributes to these specific objectives of the CAP:

- SO6: Contribute to halting and reversing the loss of biodiversity, improving ecosystem services and conserving habitats and landscapes;

- SO4: contribute to climate change mitigation and adaptation, including by reducing greenhouse gas emissions and enhancing carbon sequestration, as well as promoting sustainable energy;

- SO1: to support viable farm incomes and the resilience of the agricultural sector across the Union, with a view to enhancing long-term food security and agricultural diversity, as well as ensuring the economic sustainability of agricultural production in the Union.

Beneficiaries – Private forest managers and/or associations of private forest managers who manage forests in areas where specific farming conditions apply as a result of the Birds Directive 2009/147/EEC and/or Habitats Directive 92/43/EEC. The eligible area must be at least 0,5 ha.

The annual allocation for this measure – about €1,650,000.00

Compensatory payments are granted if at least one of the restrictions on farming is imposed:

- prohibition of main forest felling or permitting low-intensity main forest felling selective logging (allowing up to 10 % of the volume of the stand to be cut in 10 years);

- prohibition of clearing of forests for development;

- an additional number of unlogged green trees must be left in the clear-cut forest sites;

- sanitary felling must not involve the felling of all drying or dead trees.

[14] Strategic Plan: https://zum.lrv.lt/public/canonical/1741099952/17543/Strateginis_planas_v._5.2_20250303.pdf

The call for proposals for 2025 has not yet been launched. The allocated budget is €1,647,642.00, the total area – 8493 ha.

Managing institution – the National Payment Agency (Phone +370 5 252 6999, email: info@nma.lt https://www.paramakaimui.lt/index.php/parama/12?tab=3)

On top of the above, the Strategic Plan allocates targeted funding to support innovation, sustainability, and knowledge sharing across agriculture and forestry sectors. SFHs/SFOs can benefit from training, consultations, and participation in innovation-driven initiatives.

The measure **European Innovation Partnership for Agricultural Productivity and Sustainability (KP22eip)** fosters collaboration among forestry, agriculture and food sector stakeholders, researchers, and consultants to co-develop and implement innovative solutions. It not only strengthens the interaction between European Innovation Partnership (EIP) projects and the "Horizon Europe" programme but also empowers modernisation of the sectors in more effective ways. This strengthens adaptation to environmental and climate challenges, promotes sustainable forest management, and encourages digitalisation and technological advancement among private forest owners.

The financial allocation for this measure is €8,000,000.00 (of which EU contribution is €6,720,000.00), which is assumed for 40 projects with maximum support of €200,000.00 per project.

Additional support is available through **the Demonstration Projects and Information Activities (KP23ppi)** measure, with aims to strengthen knowledge transfer, innovation, and digitalisation in agriculture and forestry by uptake of best practice, enhance of technological knowledge transfer, build skills to increase vitality and competitiveness of sector activities. The financial allocation for this measure is €3,000,000.00 (of which EU contribution is €2,298,000.00).

One more measure aiming to strengthen knowledge transfer, innovation and digitalisation is **Training and Skill Acquisition (KP24mjj)** with the planned financial allocation of €4,000,000.00 (of which EU contribution is €3,064,000.00). Although the applicants are legal persons that provide training, the eligible project partners are associations of physical and(or) legal persons working in the field of agriculture and forestry.

1.3. LIFE and Horizon Europe

Not part of national analysis.

2. Financial incentives based on MS funding

2.1. State aid

Based on the information collected from the website of the European Commission where the Member states report on state aid[15] , Lithuania has submitted information about three cases of state aid in forestry sector (NACE 02 – Forestry and logging). The Ministry of Economy and Innovation of the Republic of Lithuania is the granting authority in all three cases.

- State aid measures to support the economy in the current COVID-19 outbreak. Beneficiary UAB 'VISI MIŠKAI' ('ALL MISKAS'). The aid instrument is guarantee. €320,000.00 (23/07/2022). The objective of the aid - remedy for a serious disturbance in the economy
- The Start-up financial instrument financed by the European Regional Development Fund. Beneficiary UAB 'Litmer gamyba'. The aid instrument - Direct grant/ Interest rate subsidy. €79,807.6 (30/12/2024). The aid has been granted as for Aid for start-ups (Art. 22). The Entrusted Entity is ILTE
- The Start-up financial instrument financed by the European Regional Development Fund. Beneficiary UAB 'Litmer gamyba' (UAB Litmer production). The aid instrument - Loan/ Repayable advances. €319,230.4 (30/12/2024). The aid has been granted as aid for start-ups (Art. 22). The Entrusted Entity is ILTE.

From the information available in this database, it is not possible to ascertain to what extent these interventions can be relevant to SFHs.

2.2. Taxes and tax exemptions, subsidies

The Climate Change Programme[16], has been established by the Lithuanian Parliament to create a separate programme (Art. 10 of the Law on Climate Change Management) to accumulate funds from the sale of greenhouse gas (GHG) emission allowances and to finance climate change mitigation and adaptation projects, in accordance with the Law on Climate Change Financial Instruments (2009) (from 2022, the Climate Change Management Law). The revenue of the Programme includes funds from the transfer of Assigned Amount Units (AAUs), auctioned allowances, collection of economic penalties, voluntary and other funds. The Programme finances projects related to climate change mitigation and adaptation.

As mentioned in the 3 Billion Trees report[17], the funds of the Climate Change Programme are used to enhance the GHG absorption capacity of the land use, land-use change and forestry (LULUCF) sectors (reforestation and afforestation). However, reforestation and afforestation activities have not been funded yet since the launch of the Programme in 2009.

As of 1st of January 2022, the Government of Lithuania approves the four-year Climate Change Programme Investment Plan. The activities/measures and their financial allocations are approved

[15] https://webgate.ec.europa.eu/competition/transparency/public?lang=en
[16] https://klimatokaita.lt/klimato-kaita/klimato-kaitos-programa/
[17] 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

under the Development Programme for Environment and Climate Change Management 2022-2030 – **progress measure 'Enhancing the effectiveness of climate change policy'**

The progress measure '**Enhancing the effectiveness of climate change policy**'[18] foresees subsidies for preservation of self-sown trees. The implementation of this activity contributes to reducing greenhouse gas emissions.

Beneficiaries – natural persons.

The total allocated budget is €4,000,000.00 (Climate Change Programme fund).

A call for proposals has been launched[19] to provide financial support to natural persons - land owners for the preservation of self-sown trees and for the recording of the area covered by self-sown trees as forest (forest land) in the Real Estate Cadastre. Submission of applications from September 17, 2024, to March 16, 2026.

One-time payments: 900 €/ha (including VAT) for forest land.

Allocated budget is €4,000,000.00.

The managing institution - Environmental Project Management Agency, phone +370 646 08 522, email: edita.skeriene@apva.lt, link: https://apvis.apva.lt/paskelbti_kvietimai/medziu-savaiminuku-issaugojimas-ir-itraukimas-i-misko-zemes-apskaita-2024-09

In the 2022–2030 Development Programme for Environment and Climate Change Management, state budget allocations have been made for the progress measure **'Promoting forest development and the sustainable development of the forest sector'**. The measure provides financial support through the Fund for Financing General Forestry Needs for private forest owners for conversion of thinned and economically marginal stands or shrubs into productive, climate-resilient stands and the establishment of heterogeneous, multi-stemmed stands in private forests. The allocated budget for this financial support is €1,620,000.00.

This activity aims to increase the species and biological diversity of forests, their resistance to climate change, and their economic value.

The area of restructured and formed mixed-species and mixed-age stands in private forests will be monitored. The measure indicators are 437 ha by 2025, 1084 ha by 2030.

The managing institution - Environmental Project Management Agency, phone: +370 602 89 477; +370 602 89 450; e-mail: miskai@apva.lt, link: https://apva.lrv.lt/lt/veiklos-sritys/projektu-finansavimas/miskai/skatinti-misku-pletra-ir-darnu-misku-sektoriaus-vystymasi/

[18] https://www.e-tar.lt/portal/lt/legalAct/922427b0e1a111ec8d9390588bf2de65/asr
[19] https://apvis.apva.lt/paskelbti_kvietimai/medziu-savaiminuku-issaugojimas-ir-itraukimas-i-misko-zemes-apskaita-2024-09

Forest owners and holdings may also benefit from SPECIFIC SUPPORT BASED ON THE PROVISIONS OF THE **LAW ON HUNTING**[20]. The legal rights of forest owners or holders, concerning financial support, tax exemptions, or subsidies, are the following:

Legal rights of forest owners/holders

1. Right to financial support:

o Forest owners, holders, or users of land plots where hunting is not prohibited have the right to receive financial support for implementing measures to prevent damage caused by game animals (Law on Hunting, Article 6(3).

o The financial support is provided under the procedures established by:

– The Environmental Protection Support Program Law[21].

– The Municipal Environmental Protection Support Special Program Law[22].

2. At least 50% of the funds collected from hunting area user fees for the use of game resources must be allocated to measures aimed at preventing damage caused by game animals.

3. Compensation for damage

o The hunting area user compensates for damage caused by certain species (e.g., hoofed animals or beavers) to agricultural crops, forests, and hydrotechnical facilities under the specified conditions in Article 18(3) of the Law on Hunting.

o If the damage is caused by species whose hunting is prohibited throughout the year or by wolves to livestock, the state compensates the damage via designated institutions, as per Article 18(4) of the Law on Hunting.

Requirements for financial support/subsidies stemming from the law on hunting provisions

Eligible land plots: financial support is applicable only for land plots where hunting is not prohibited.

Purpose of funds: the funds must be used for measures aimed at preventing damage caused by game animals.

Compensation for damages depends on whether the species causing damage are:

- Not prohibited from hunting year-round (e.g., hoofed animals or beavers for damage to forests and crops).
- Prohibited from hunting year-round (state compensates in such cases).
- Wolves, in the case of damage to livestock.

[20] Law on hunting: https://www.e-tar.lt/portal/lt/legalAct/TAR.A92E17FDCD13/asr
[21] https://www.e-tar.lt/portal/lt/legalAct/TAR.0F470A65DFCA/asr
[22] https://www.e-tar.lt/portal/lt/legalAct/TAR.9F274C93E483/asr

Damage thresholds for forests:

- For forest damage, compensation applies if:
  - Strongly damaged or dead target species trees in young forests exceed 20%.
  - Strongly damaged prospective target species trees in older forests exceed 10%.
- Additionally, hunting quotas for certain limited species must be met.

The Environmental Protection Support Programme of the Republic of Lithuania is a key initiate for funding and supporting environmental protection efforts. Allocations are made based on the **Plan of measures for the Environmental Support Programme**, which is approved for two-year period by the Chancelor of the Ministry of Environment.

The Plan of measures for 2025-2026[23] foresees financial COMPENSATION FOR DAMAGES CAUSED BY GAME ANIMALS that is prohibited from hunting all year round (bison), to owners, managers and users of land, forest and water bodies where hunting is not prohibited. The allocated budget for 2025 is €450,000.00.

A call for proposals is launched[24]. Submission of applications from October 4, 2024, to November 26, 2027. Beneficiaries – owners, managers, users of the land, forest and water bodies; applicants – Municipalities.

Compensation for costs incurred directly as a result of damage caused by game animals.

Allocated budget for 2024 is €335,600.00.

The managing institution - Environmental Project Management Agency, phone +370 659 83 521, email: giedre.ulinskaite@apva.lt

There are also **SEVERAL TAX EXEMPTIONS** embedded in the national legislation:

The Law on Land Tax (Article 4)[25] stipulates that the object of taxation is private land located in the Republic of Lithuania and owned by natural and legal persons, **except of the forest land and agricultural land on which forest has been planted**.

The Law on Profit Tax (Article 5(2)[26] stipulates that the units where the average number of employees on the payroll does not exceed 10 people and the income for the tax period does not exceed €300,000.00 shall be subject to a **0% tax rate** on taxable income for the first tax period, for other tax periods – to a **6% tax rate.** The standard profit tax rate - 16%.

[23] https://am.lrv.lt/lt/veiklos-sritys-1/finansines-programos/aplinkos-apsaugos-remimo-programa/2025-m-aarp-priemoniu-planas/
[24] https://apvis.apva.lt/paskelbti_kvietimai/medziojamu-gyvunu-kuriu-medziokle-uzdrausta-istisus-metus-stumbru-padarytos-zalos-zemes-misko-ir-vandens-telkiniu-sklypu-kuriuose-nera-uzdrausta-medzioti-savininkams-valdytojams-ir-naudotojams-ir-vilku-ukiniams-gyvunams-padarytos-zalos-atlyginimas-2024-10
[25] https://www.e-tar.lt/portal/lt/legalAct/TAR.D267FBDC094B/asr
[26] https://www.e-tar.lt/portal/lt/legalAct/TAR.A5ACBDA529A9/asr

2.3. Funding provided by regional and local authorities

No specific information about funding provided by regional and local authorities.

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

The **Lithuanian Nature Fund** (LGF) forest program aims to ensure the survival of forests and the endangered species inhabited there. Since 2002, the LGF operates to encourage a responsible use of forests[27]. In order to provide some practical examples of such use of forests, the Fund has created two educational trails in cooperation with private forest owners. In this fashion, they aim at attracting the attention of both society and forest owners to the most important natural components of our forests and to practically demonstrate various ways of forest use, ways that cause least damage to forests. The LGF collaborates with scientists, foresters, and entrepreneurs. They carry out various activities – conduct scientific research, provide trainings for foresters, etc. The LGF has published a brochure for forest owners entitled "Examples of Responsible Forestry". The publication is distributed free of charge and an electronic copy can also be downloaded from their website[28].

There are **two foundations** in Lithuania that deal with forest planting – the Ancient Woods Foundation and the National Fund for the Support of Intact Forests.

The projects funded by these two entities seem not relevant to SFHs/SFOs. The Ancient Woods Foundation[29] is a public institution in Lithuania that uses private donations to purchase and protect old-growth forests from logging. In 2024, it worked with 1,842 ha of forest, including 45.33 ha of EU-protected habitats, supported by private donors and national Natura 2000 subsidies. The National Fund for the Support of Intact Forests[30] is a charity focused on creating naturally developing, non-commercial forests. In 2023, it managed 30 ha across 7 plots and planted around 26,000 trees on 6 ha, with funding from private individuals and organisations.

2.5. Innovative funding sources

To date, there are no innovative funding sources in Lithuania that explicitly address forest planting or biodiversity in general. However, the first attempts are evolving in climate change sector with a sovereign green bond issued in in 2018. As a starting point, the funds generated will be invested in modernising residential multi-apartment buildings to make them more energy efficient. In addition to the contribution of national private firms and public entities, the country expects this financing instrument to attract foreign investors to finance green projects to address climate change issues[31]. Consequently, for now green bonds give little to no direct support for SFHs.

[27] Lithuanian Fund for Nature: Forests: http://www.glis.lt/?pid=113
[28] New publications by the LGF on responsible forestry: http://www.glis.lt/?pid=1&news_id=56
[29] Activity report for 2024: https://www.sengiresfondas.lt/assets/documents/Sengires-fondo-2024-veiklos-ataskaita.pdf
[30] Reports on Fund activity: https://www.nelieciamasmiskas.lt/apie-fonda/
[31] Baltic Review, Lithuania became the seventh country in the world to issue a sovereign green bond: https://baltic-review.com/lithuania-sovereign-green-bond/

Crowdfunding platforms in Lithuania (e.g., Contribee) facilitate investment in a wide range of business projects, such as start-ups, business or real estate development. Their activities are supervised by the Bank of Lithuania, in accordance with the procedures set out in the Law on Crowdfunding. However, there is no evidence yet of financing environmental projects.

An Estonian company, Arbonics OÜ, is working with landowners in Lithuania to plant trees for the purpose of generating carbon credits. These credits are then sold to companies seeking to offset their carbon emissions. One of Arbonics' clients in Lithuania is INVL Sustainable Timberland and Farmland Fund II, which has already planted 200 hectares of mixed forest. The Arbonics has already started (currently in pilot phase) working with forest owners. They will support forest owners in creating a plan to optimise carbon and biodiversity. In addition to timber revenue, this will give them access to carbon and biodiversity revenues, simply by adjusting their forest management practices.

No initiatives linked to payment for ecosystem services (PES) has been found.

2.6. Other funding sources

No additional information has been obtained. Forestry sector is not in the funding priorities of the EEA and Norway Grants programme in Lithuania.

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