milieu
Law & Policy Consulting

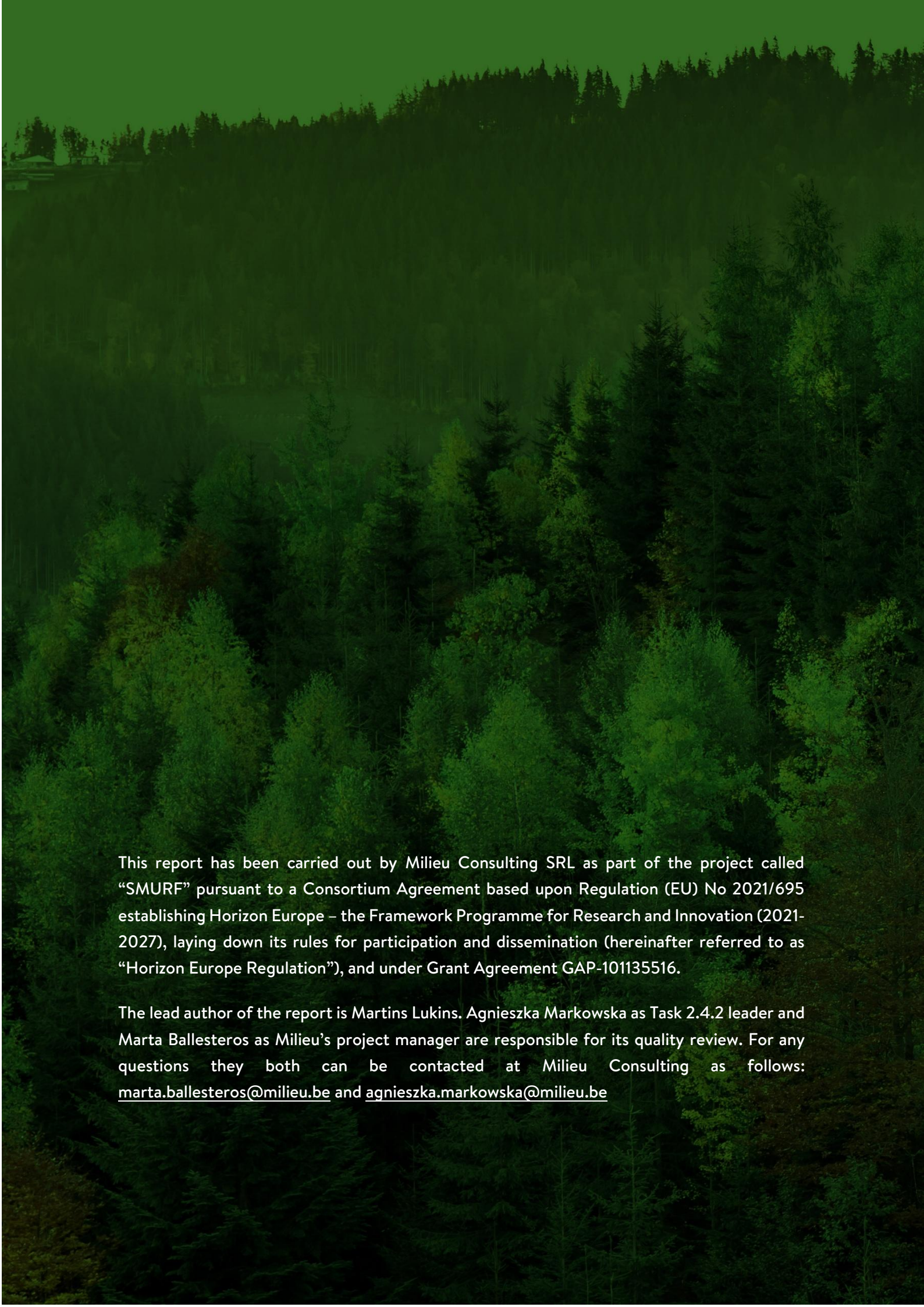
Financial incentives applicable to Small Forest Holdings and their impacts

Country Fact Sheet
Latvia

SMURF
THE FOREST OWNERS' PROJECT

Grant Agreement GAP-101135516.
June 2025

Funded by
the European Union



This report has been carried out by Milieu Consulting SRL as part of the project called "SMURF" pursuant to a Consortium Agreement based upon Regulation (EU) No 2021/695 establishing Horizon Europe – the Framework Programme for Research and Innovation (2021-2027), laying down its rules for participation and dissemination (hereinafter referred to as "Horizon Europe Regulation"), and under Grant Agreement GAP-101135516.

The lead author of the report is Martins Lukins. Agnieszka Markowska as Task 2.4.2 leader and Marta Ballesteros as Milieu's project manager are responsible for its quality review. For any questions they both can be contacted at Milieu Consulting as follows: marta.ballesteros@milieu.be and agnieszka.markowska@milieu.be

Table of Contents

Executive Summary 4

1. Financial incentives based on EU funding 5

1.1. The European Regional Development Fund 5

1.2. Common Agricultural Policy (CAP) 5

Support under Latvia's CAP Strategic Plan 2023–2027 for Less Favoured Areas (LFAs) 8

1.3 Life, Interreg and Horizon Europe 8

2. Financial incentives based on MS funding 10

2.1. State aid 10

2.2. Taxes and tax exemptions, subsidies 10

Role of State Forests and Support for Private Forest Owners. 10

The Forest Development Fund (MAF) 10

2.3. Funding provided by regional and local authorities 10

2.4 Funding provided by foundations, business associations, educational or other institutions 11

2.5. Innovative funding sources 11

Financial incentives applicable to Small Forest Holdings

WP2, Task 2.4.2

Executive Summary

Support for small forest holders (SFH) in Latvia can be divided into three main areas.

First, it focuses on increasing forest area, improving stand productivity, and mitigating the impacts of natural disturbances.

Second, it relates to biodiversity protection, namely, financial compensation for forestry restrictions in private lands designated as Natura 2000 sites or microreserves.

Third, it concerns the education of SFHs, covering a wide range of topics related to sustainable forest management.

It should be noted that support payments are mainly directed toward existing forest management models. Support for alternative or complementary models—such as agroforestry or continuous cover forestry—remains limited.

The primary source of support is funding from the Common Agricultural Policy (CAP).

It can be concluded that the "Afforestation and Support for Ecosystem Services – Production of Wood in the Forest Value Chain" component receives the largest share of support; however, it is not the sole focus. Other initiatives, such as agroforestry measures and support for continuous cover forestry, are still in their early stages, yet they hold significant potential—particularly in relation to the development of carbon sequestration instruments and biodiversity enhancement.

1. Financial incentives based on EU funding

1.1. The European Regional Development Fund

The Programme guiding Latvia's spending from the Cohesion Policy has a total budget of EUR 5 178 billion, with EUR 4 401 billion of EU funding[1]. The priority "A greener, low carbon transitioning towards a net zero carbon economy and resilient Europe" amounts to EUR 998.9 million. Upon reviewing Latvia's Cohesion Policy Programme documents for 2021–2027, no direct references to forests or forestry were found. Although the programme includes substantial investments in green transition and climate objectives, specific forestry measures or support for private forest owners are not explicitly detailed.

1.2. Common Agricultural Policy (CAP)

The following forestry-related support measures are planned under Latvia's Common Agricultural Policy (CAP) Strategic Plan for 2023–2027. In addition to the existing funding under Intervention LA 7.1 (EUR 31,438,028), additional resources amounting to EUR 15,545,000 from the state budget are planned for the years 2028 and 2029[2]

Just to clarify terms used, **Agrotechnical maintenance** and **pre-commercial thinning** are similar forestry measures. Agrotechnical maintenance refers to ensuring favorable growing conditions for planted trees, which in practice involves clearing grass and removing undesired saplings in the immediate vicinity of the planted trees. In the context of the CAP, *agrotechnical maintenance* applies to **afforestation**, **restoration**, and **reforestation** activities, and is therefore linked to **intervention LA8.**

Pre-commercial thinning, on the other hand, involves reducing the number of existing trees by selectively removing less viable individuals, thereby promoting the growth of more promising trees from a silvicultural perspective[3]. Within the CAP framework, this measure is more closely associated with **intervention LA 7.1.**

[1] Cohesion Fund 2021-2027

2 https://tapportals.mk.gov.lv/annotation/55e53c87-1651-47fc-905c-7080667ec4f5

[3] According to an association consulted, this also helps to free up space and allow more light to reach the forest understorey, encouraging the development of new plant species and increasing biodiversity. To consider though that the author could not check what specific aspect of biodiversity enhancement is being addressed. Furthermore, the argumentation should be based on the results of relevant scientific studies.

Table 1 Financial incentives available for SFH under the Latvian CAP Strategic Plan

Type of premium	Planned total amount (EUR)	Planned EU amount (EUR)	Timeline	Indicators[4]	Contribution to CAP goals
Intervention LA 7.1 "Investments in forest afforestation, replacement, restoration, and thinning"	31 438 028	26 722 324 (85%)	2024–2029	6282 ha of land targeted for afforestation Priority for peatlands, degraded or unused land 4000ha targeted for increase of areas of high productive forest through regeneration of valuable tree species	Climate adaptation, carbon sequestration sustainable forest management; soil protection
Intervention LA 7.2 "Support for the Prevention of Forest Damage"	850000	150000 (85%)	2024-2009	Not available	forest vitality, CO_2 sequestration in areas affected by prolonged pest damage
Intervention LA 8 "Support for the maintenance and improvement of forest ecosystem resilience and ecological value"	6 291 972	5 348 176 (85%)	2024–2029	pre-commercial thinning is targeted for 80 583 ha; 30843 ha targeted for Agrotechnical maintenance of afforested, restored and replaced stands' areas	Climate resilience, carbon retention; forest vitality, sustainable wood supply, species diversity

4 https://www.zm.gov.lv/lv/latvijas-kopejas-lauksaimniecibas-politikas-strategiskais-plans-2023-2027gadam-0

The Law "On Compensation for Restrictions on Economic Activity in Protected Territories" (in force since 2013) sets out the conditions under which compensation is granted for restrictions on economic activity in specially protected nature territories (SPNT) and micro-reserves[5] established by the state or local governments. The compensation for restrictions on forestry activities in protected territories is granted in the form of an annual support payment[6]. The annual support payment for restrictions on economic activity in Natura 2000 sites and in micro-reserves shall be paid in accordance with the procedure laid down in the regulatory acts governing the granting of rural development support, using funds from the relevant EU funds. A consulted forestry association[7] affirmed that forest owners are very dissatisfied with the Natura 2000 rates - specifically, they consider the compensation system to be unfair and insufficient, as it does not reflect the true value of the forest. It should be acknowledged that the insufficiency of compensation amounts and the overall general nature of their application are criticized also among experts in the field of nature conservation, and a substantial revision is therefore necessary.

It should be noted that the clear-cutting ban, which is subject to compensation within Natura 2000 territories, is not eligible for compensation in areas outside the protected area network—for example, in buffer zones along rivers and lakes, where clear-cutting is likewise prohibited.

CAP funding (EAFRD) is used to support LEADER projects focusing on local development in rural areas. More than 230 LEADR projects in Latvia, accounting for 11% of all LEADER-funded projects between 2005 and 2025 [8] have been related to small-scale existing or start-up wood processing businesses, such as sawmills and carpentry workshops. These projects have not only contributed to the creation of new businesses and jobs but have also positively impacted the value chain by promoting the use of local resources. LEADER funding is also provided for projects focused on the production and processing of various forest-related food products. For example, shiitake mushroom *Lentinula edodes* cultivation projects have included both the development of the necessary infrastructure in the forest and the facilities for processing and storage of the mushrooms. Total project cost: EUR 21,156, including EAFRD funding of EUR 14,809 [9].

In Latvia's CAP Strategic Plan 2023–2027, funding is also allocated for the measure "Knowledge Transfer and Information Activities", which includes "Professional Education and Skills Development" initiatives[10]. These activities aim to enhance the competencies of farmers,

---

[5] *Micro-reserves are small-scale protected areas established under Latvian legislation to conserve specific rare or endangered species or habitats. These areas typically impose restrictions on economic activities and may be located on both public and private land*

[6] https://www.lad.gov.lv/lv/katalogs/kompensacijas-maksajums-par-natura-2000-meza-teritorijam-nim-2025g

[7] Consultation with a forestry association from Latvia took place in September 2025. Its input has been addressed and included within this report.

8 https://www.laukutikls.lv/nozares/lauku-telpa/raksti/leader-sasniegumi-latvija-20-gadu-pieredze-lauku-attistiba

9 https://www.laukutikls.lv/sitake-senu-audzesana-un-parstrade-zs-trubenieki

10 https://www.lad.gov.lv/lv/kopejas-lauksaimniecibas-politikas-strategiska-plana-2023-2027gadam-klp-intervences-atbalsta-pasakumi

forest owners, and rural entrepreneurs, thereby contributing to sustainable, competitive, and innovative agricultural and forestry sectors. Total planned budget amounts to approximately EUR 10 million but it is not clear to what extent it will be used to support SFH.

The training sessions are organised across various regions of Latvia, and the co-financing rate — depending on the size of the forest holding and annual turnover — is either 10% or 50% of the course fee[11].

A consulted forestry association affirmed that given that support payments are made only after the activity has been carried out, smaller forest owners often face difficulties in starting such activities due to challenges in securing the necessary initial funding. Income from forestry is infrequent and irregular, which makes it difficult for many forest owners to initiate these activities in the first place.

Support under Latvia's CAP Strategic Plan 2023–2027 for Less Favoured Areas (LFAs)

In Latvia, Less Favoured Areas (LFAs) are territories where agricultural activity is constrained by natural disadvantages such as poor soil quality, unfavourable climatic conditions, or complex terrain. Support for these areas is essential to maintain agricultural activity, prevent rural depopulation, and promote sustainable land management [12.] It is likely that many farmers having their land on LFAs would qualify as SFH.

According to Latvia's CAP Strategic Plan 2023–2027, LFA support is provided in the form of compensatory payments to offset additional costs and income losses experienced by farmers in these territories. These payments are co-financed by the European Agricultural Fund for Rural Development (EAFRD) and the national budget. A separate budget indicator for LFA is not available. Eligibility Criteria:

- Having the farms located within officially designated LFA zones in Latvia.
- Meeting certain agricultural activity requirements, including minimum managed land area and livestock density.
- Complying with environmental and agricultural practice standards.

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. Two Interreg projects (using the ERDF funding) providing support to SFH in Latvia are particularly worth mentioning.

The Interreg project *Water Management in Baltic Forests* (WAMBAF 2016-2019) provided land managers with opportunities to gain knowledge of innovative planning tools and to develop digital skills applicable to assessing the efficiency of drainage system operations and planning

11 https://arhivs.llkc.lv/lv/nozares/mezsaimnieciba-apmacibas/apmacibas

12 https://www.zm.gov.lv/en/article/ec-approves-amendments-latvias-cap-strategic-plan-2023-2027-simplifying-and-easing-support-farmers-and-food-producers

necessary interventions. The total project budget is EUR 2.93 million (ERDF Contribution: EUR 2.28 million). WAMBAF developed practical tools and guidelines to assist forest owners, including small forest holders, in sustainable forest management practices that protect water quality. These tools include: A mobile application for forest drainage management, the "Blue Targeting" tool for designing riparian buffer zones and guidelines for beaver population management. The project involved partners from six countries: Sweden (Lead Partner: Swedish Forest Agency), Finland, Latvia, Lithuania, Poland and Russia [13]

The recent Interreg project “Future Food & Forestry models towards the value chain adaptation to the Green Deal and Circular Economy” (3F GREEN MODEL 2023 – 2026) will address the challenges involved in the adaptation of the EU circular economy strategy, in the agri-food and forestry sectors across the partner countries. The project focuses on improving policy instruments through the sharing and examination of good practices[14]. The project running from March 2023 to May 2027, with a total budget of **EUR** 1,033,144, co-financed by the European Regional Development Fund (ERDF) at **EUR**826,515**.** The project involves five partners from different European regions: Spain, Latvia, Italy, Hungary, and Ireland**.**

For SFH, the project’s focus on the management and utilization of forestry and wood residues is particularly pertinent. By promoting sustainable practices and the circular use of resources, the project seeks to create business and job opportunities in bioindustries that convert waste and by-products into valuable resources, thereby supporting SFH in adapting to the Green Deal objectives[15].

13 https://interreg-baltic.eu/project/wambaf/

14 https://www.interregeurope.eu/3f-green-model#project-summary

15 https://www.interregeurope.eu/3f-green-model

2. Financial incentives based on MS funding

2.1. State aid

The website of the European Commission dedicated to state aid provides access to state aid data for several Member States, with a possibility of searching diverse economic sectors by NACE codes. The search for Latvia according to the NACE code A.02 “Forestry and logging” did not result in any information about state aid schemes for this sector.

2.2. Taxes and tax exemptions, subsidies

In Latvia, the real estate tax relief for young forest stand is applied for forest stands that have been officially recognised by the State Forest Service as regenerated or newly established, and whose age—depending on the tree species—ranges from 10 to 40 years[16]. In these cases, the real estate tax is zero.

Role of State Forests and Support for Private Forest Owners.

"Latvijas valsts meži" (Latvia's State Forests, or LVM) is a state-owned company managing 1,49 million hectares (49% of all forests) of public forests [17]. The only indirect way in which the State Forests support small forest holders (SFH) is through the sale of forest seedlings. However, since this is a market-based transaction with no observed preferential treatment—such as discounts specifically for SFH—it cannot be considered a form of targeted support.

The Forest Development Fund (MAF)

The Ministry of Agriculture has established the Forest Development Fund, through which various non-governmental organizations can apply for informational projects aimed at educating the public and forest owners.[18][19]

2.3. Funding provided by regional and local authorities

The #3BillionTrees initiative[20] is implemented by the European Commission to support the pledge of planting 3 Billion additional trees by 2030. In Latvia, the support for this initiative in 2025 will include a range of operational measures: the development of a tree planting plan that will define the desired planting volume, the identification of priority areas for planting, the setting of tree planting objectives, and the involvement of volunteers in implementing the

16 https://likumi.lv/ta/id/71296-kartiba-kada-ar-nekustama-ipasuma-nodokli-neapliek-zemi-kuru-aiznem-atjaunotas-vai-ieaudzetas-mezaudzes
17 https://www.vmd.gov.lv/lv/meza-ipasniekiem
18 https://www.zm.gov.lv/lv/meza-attistibas-fonds-maf-0
19 https://likumi.lv/ta/id/342325-valsts-atbalsta-pieskirsanas-kartiba-meza-nozares-attistibai
20 https://forest.eea.europa.eu/policy-and-reporting/3-billion-trees

initiative. It will also involve fundraising efforts and the organization of informational seminars and training sessions. SFH are likely to benefit from some of these activities.

In 2023, council of Riga became the first entity from Latvia to officially join the European initiative 'Three Billion Trees' by planting 1,400 birch trees on a remote plot of land unsuitable for other purposes[21]. The birch saplings were sourced from enterprise nursery.

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

The World Wide Fund for Nature regularly organises free seminars for forest owners, focusing on key topics such as example-based sustainable forest management through continuous cover forestry (CCF) practices, and the elements and processes of forest biodiversity, including their integration into forest management[22].

The Latvian Forest Owners' Association organizes various educational events, such as *Forest Knowledge Days* and informational webinars[23].

2.5. Innovative funding sources

There are cases where environmental NGOs collaborate with international companies to implement their corporate environmental policy objectives e.g. —for example, DHL to reduce emissions from its logistics by supporting the establishment of new forest areas on private land. It is known that in 2020 and 2021, at least 10 hectares, or approximately 20,000 trees, were planted (Rozitis, pers.comm[24]).

In Latvia, tCēsis, Valmiera and Sigulda municipalities[25] covering an area of approximately 5000 km^2 have joined the 'Bioenergy Regions' initiative. Although there are no clear indications of how this will impact forest policy or the principles of forest area management, the initiative itself may serve as an incentive for green bonds to finance sustainable forestry projects.

Two international companies – Arbonics[26] and Ecobase[27] have initiated a collaboration process primarily with large landowners; however, a proposal is also being developed to involve small forest owners, aiming to promote afforestation on their land and to provide opportunities for generating future income from carbon credits.

21 https://lasi.lv/saimnieks-uznemejs/jaunumi/rigas-mezi-pievienojas-eiropas-iniciativai-par-tris-miljardu-koku-iestadisanu.8848
22 https://lv-pdf.panda.org/virzieni/mezs/
23 www.mezaipasnieki.lv
24 Jānis Rozītis the director of Pasaules Dabas fonds the environmental NGO in Latvia
25 https://sigulda.lv/14-maija-siguldas-novads-kopa-ar-partneriem-tiksies-otraja-bioregiona-foruma-cesis-izsludinata-pasakuma-programma/
26 www.arbonics.lv
27 https://ecobase.earth

Ecobase also offers IFM (Improved Forest Management), which is effectively oriented towards the field of biodiversity credits and involves practices such as extending rotation periods or applying lower-intensity forest management as a means of enhancing carbon sequestration[28]

28 https://www.ecobase.earth/landowners#nav-aar

PARTNERS


cesefor


InnovaWood
connect share influence


UNIVERSITÀ
DEGLI STUDI
FIRENZE


blue biloba


Xylofutur


AIR
INSTITUTE


ipb
INSTITUTO POLITÉCNICO
DE BRAGANÇA


Preferred
by Nature™


milieu
Law & Policy Consulting


contactica



Funded by
the European Union